

CITY OF HERMISTON, OREGON

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2018



*Where Life is Sweet*TM

Prepared by:
The City of Hermiston
Finance Department

CITY OF HERMISTON, OREGON
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2018

TABLE OF CONTENTS

	<u>Page</u>
<u>INTRODUCTORY SECTION</u>	
Transmittal Letter	i
Certificate of Achievement	viii
Officials of the City	ix
Organizational Chart	x
<u>FINANCIAL SECTION</u>	
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balance	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Proprietary Funds:	
Statement of Net Position	19
Statement of Revenues, Expenses, and Changes in Fund Net Position	20
Statement of Cash Flows	21
Notes to the Basic Financial Statements	23
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedules	
Schedule of Revenues, Expenditures, and Changes In Fund Balance – Budget and Actual	
Combined General	57
State Tax Street	58
EOTEC Operations	59
EOTEC General	60
Schedule of the Proportionate Share of the Net Pension Liability	61
Schedule of Contributions	62
Schedule of the Proportionate Share of the Net OPEB Liability (Asset)	63
Schedule of Contributions	64
Schedule of Changes in the City’s OPEB Liability and Related Ratios	65
Notes to Required Supplementary Information	66

SUPPLEMENTAL INFORMATION

Combining and Individual Fund Statements and Schedules:	
Nonmajor Governmental Funds Combining Balance Sheet	69
Nonmajor Governmental Funds Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance	71
Combined EOTEC Operations Fund Balance Sheet	73
Combined EOTEC Operations Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance	74
Budgetary Comparison Schedules:	
Schedule of Expenditures – Budget and Actual: General Fund	76
Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:	
Governmental Funds:	
Special Revenue Funds:	
Transient Room Tax	78
Recreation Reserve	79
Municipal Court	80
Miscellaneous Special Revenue	81
Community Center	82
Christmas Express	83
Law Enforcement	84
Library Reserve	85
Hermiston Urban Renewal Agency	86
Capital Projects Funds:	
Reserve	87
Senior Center Construction	88
2017 FF&C HURA	89
2017 FF&C TPA	90
EOTEC Construction	91
Debt Service Fund:	
Bonded Debt	92
Proprietary Funds:	
Enterprise Funds:	
Energy Operations Combined	94
Energy Services	95
2016 FF&C Electric	96
Utility Operations Combined	97
Utility	98
2017 FF&C Sewer and Water	99
Revenue Bonded Debt	100
Regional Water	101

STATISTICAL SECTION

Net Position by Component	103
Changes in Net Position	104
Fund Balances, Governmental Funds	105
Changes in Fund Balances, Governmental Funds	106
Market and Assessed Value of Taxable Property	107
Property Tax Rates – Direct and Overlapping Debt Schedule	108
Principal Property Taxpayers	109
Property Tax Levies and Collections	110
Ratios of Outstanding Debt by Type	111

Ratios of General Bonded Debt Outstanding	112
Revenue Backed Debt	113
Direct and Overlapping Governmental Activities Debt	114
Legal Debt Margin Information	115
Demographic and Economic Statistics	116
Principal Employers	117
Full Time Equivalent City Government Employees by Function	118
Operating Indicators by Function	119
Capital Asset and Infrastructure Statistics by Function	120
Miscellaneous Statistical Data	121

**REPORTS OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS**

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS	134
--	-----

INTRODUCTORY SECTION



Where Life is Sweet

City of Hermiston

Administrative Offices

180 NE 2nd Street
Hermiston, OR 97838

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

December 6, 2018

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, 2018, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

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

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

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

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

CITY PROFILE

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

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

Hermiston is the merging point for two interstate highways, I-82 (north-south) and I-84 (east-west). It offers Union Pacific's Hinkle Rail Yard to the south and the Port of Umatilla's barge loading facilities to the north. Hermiston owns a municipal airport to complete this hub of commercial and industrial transportation. Hermiston's other municipal facilities include a modern public safety center, housing police, municipal court and fire (not a city department); the Hermiston Community Center; the Eastern Oregon Trade and Event Center (EOTEC), a regional conference and event complex; public works building; wastewater treatment plant; public library; twelve city parks encompassing 114 acres and water, sewer and electric utilities. There are approximately 90 full-time city employees and 12 permanent part-time employees. In the 1960s, the voters approved the council-manager form of government. The current city charter provides for eight councilors, mayor and a municipal judge that are elected. The council hires a city manager to direct the day to day activities of the City.

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

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

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

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

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

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

ECONOMIC CONDITIONS AND OUTLOOK

A labor market economist for the State of Oregon speaks of Hermiston as "one of the most desirable sites for industrial development in the Pacific Northwest" because of its low land costs, large inventory of industrially zoned land, reasonable local taxes and excellent access to transportation routes. The citizens and government of Hermiston boast a progressive, growth oriented philosophy that encourages new businesses to locate here. There are approximately 37,000 people living within 10 miles of downtown Hermiston, and there are more than 120,000 people employed within a 30-mile radius of the city. The State of Oregon's certified 2018 population estimate for the city is 18,200.

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

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

In addition to serving as a regional medical and retail center, Hermiston has pursued an aggressive effort to build economic diversity with the location of area food processors, a 1.2 million square foot Wal-Mart Distribution Center, and a \$3.5 million food distribution center of the Church of Jesus Christ of Latter-day Saints. DuPont Pioneer has been aggressively investing in Hermiston since 2009. Pioneer initially built a \$35 million processing facility in 2009, which was immediately followed by the development of their North American Research and Development Center in Hermiston in 2010. DuPont Pioneer announced another combined \$35 million worth of investments in 2013 which will double the capacity of the facilities as the phases are built-out over several years. The raw commodities required by DuPont Pioneer effectively diversify the region's agricultural portfolio and raise the value of grower contracts in the area, while also creating additional opportunities for agricultural support services business.

Hermiston's location at the intersection of two Interstate freeways makes the community ideally suited for companies moving products to the western states region. Wal-Mart's Hermiston Distribution Center, which serves all Northwest Wal-Mart Retail stores, completed a \$1 million expansion to its conveyor belt system in 2013. FedEx is another national logistics company taking advantage of the region. FedEx Freight opened a full-service distribution center near Hermiston in 2011 to take advantage of the area's freeway access. UPS runs air-cargo out of the Hermiston Municipal Airport, which completed a \$3 million taxiway re-alignment project in 2016.

Situated in an arid section of Oregon, Hermiston's existence has always necessarily been connected to water. The two original town sites that were to become Hermiston sprang up following the creation of the Hermiston Irrigation District in 1905. Circle irrigation developed and agriculture flourished throughout the desert area, increasing irrigated land to over 200,000 acres. Abundant access to field and row crops such as potatoes, melons, beans, onions, etc., resulted in the construction of food processing plants, and their employment needs increased Hermiston's population from 4,893 in 1970 to 18,200 in 2018.

Due to the major importance of irrigated agriculture to the regional economy, the City of Hermiston is a member of, and contributes to, the efforts of the Northeast Oregon Water Association. This work resulted in a funding package of nearly \$50 million through a combination of grants and loans from the 2015 State Legislature to increase the amount of irrigation water in the region as well as improve the long-term viability of regional water resources. This investment is expected to have a substantial economic benefit to the Hermiston region beginning in the next five years.

With agricultural interests predominant in and around Hermiston, the city of Hermiston offers a central site for rodeos, home shows, livestock sales, community dances, auctions and other events, as well as the annual Umatilla County Fair. Due to the growing needs of the community new and larger grounds were completed in 2017 to house the award winning Farm-City Pro Rodeo and the Umatilla County Fair along with other regional and local events. That new complex is called the Eastern Oregon Trade and Event Center (EOTEC). The first phase opened in 2016. Additional facilities including a commons area and rodeo grounds were completed in 2017 in time to host the 2017 annual fair and rodeo.

The Hermiston School District has five elementary schools, two middle schools, one senior high school, and one alternative school. With nearly 5,500 students, it is the largest school district in Eastern Oregon, and with 519 employees, the fifth largest employer in Hermiston. The School District completed a \$5 million replacement of the high school football stadium in 2013. The facility has generated a positive economic impact to Hermiston because it is the only facility in eastern Oregon which meets the requirements to host state-level football, soccer, lacrosse, and track & field tournaments. Additionally, Blue Mountain Community College and Eastern Oregon University, with satellite campus facilities in Hermiston, offer advanced education opportunities.

Although 250 miles from the ocean, Hermiston is only 450 feet above sea level and receives less than nine inches of rain annually. The area offers a spectrum of outdoor pastimes, including water sports such as skiing, boating, swimming and fishing in the surrounding ponds, streams and rivers. Day trips or longer for snow sports, camping, hiking and hunting are taken to nearby mountain ranges and rock hounding abounds in the geological areas two hours south of town. Hermiston offers athletic clubs; an outdoor swimming pool; jogging trails; bicycle lanes; sites for tennis, soccer, miniature golf and all kinds of ball leagues; and golf courses in neighboring towns. Environmental areas include twelve city parks encompassing 114 acres, Umatilla Wildlife Refuge, Hat Rock State Park and Cold Springs Reservoir.

Culturally, Hermiston is the scene for varied performances at the junior and senior high auditoriums, including events sponsored by the Inland Northwest Musicians. There are eight movie screens and a roller rink. Hermiston boasts more than 150 organizations, including service clubs such as Rotary, Kiwanis and Altrusa, and fraternal organizations such as the Elks and Moose. Hermiston also has a modern public library.

Hermiston is served by the 911 emergency system, a well-trained police force, county deputy sheriffs and the Oregon State Police. The City has its own municipal court and a 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 operates multiple potato processing plants in the region. Lamb Weston completed a \$230 million expansion at its Boardman facilities since 2015, and is under construction with another \$200 million expansion in its Hermiston facilities beginning in 2017. DuPont Pioneer, a developer and supplier of seeds, originally opened a facility in Hermiston in 2009, and has since invested nearly \$60 million to develop its plant.

A \$1.5 million feed mill operates just south of the City; there are also several large dairy facilities in the area.

Major employers outside the food processing industry include JM-Eagle, Marlette Homes, Wal-Mart Distribution Center, Union Pacific Railroad, Portland General Electric and the State of Oregon. JM-Eagle operates a polyvinylchloride pipe plant in the Port of Umatilla Industrial Park five miles north of Hermiston. This plant employs approximately 50 people. Wal-Mart operates a 1.2 million square foot distribution center which employs approximately 860 workers and transfers merchandise to about 400 trucks daily. UPS Freight and FedEx Ground also both operate full-service freight terminals near the I-84/82 interchange. The FedEx facility was completed in early 2011, and serves 120 trucks per day. Two State prisons in the region are also significant employers in the regional economy.

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

MAJOR INITIATIVES AND LONG-TERM FINANCIAL PLANNING

The City has the following ongoing commitments and construction contracts:

1. Harkenrider Senior Center – In June 2018 the City completed the construction of this project. The total cost of the project was approximately \$3 million including adjacent parking lot improvements. \$2 million of the project came from an Oregon Community Development Block Grant through the Oregon Infrastructure Finance Authority. The City and the Hermiston Senior Center provided the remainder of the necessary funding.
2. Airport Improvements – The City has been utilizing several state and federal grants totaling over \$3.6 million for taxiway realignment and other improvements at the Hermiston Municipal Airport. Currently the City is updating the Airport Master Plan in order to continue to qualify for these grant opportunities.
3. EOTEC – The City assumed full ownership of the multi-million dollar Eastern Oregon Trade and Event Center (EOTEC) in March of 2018. The facility includes an event center that was completed in May 2016. The barns, commons and rodeo grounds were completed in July 2017. The original joint venture between Umatilla County and the City of Hermiston was dissolved to improve operations and management and maximize the use of the facility. Funding came from various sources including state grants and local revenue. The most remarkable achievement was the \$2 million in contributions from local businesses and individuals.
4. Traffic Control at 11th & Elm – The City entered into an Immediate Opportunity Fund (IOF) agreement with the State of Oregon Department of Transportation (ODOT) in March 2016 to install a traffic signal at the intersection of Elm Avenue and NW 11th as well as a left-turn lane for southbound traffic into Good Shepherd Medical Center's (GSMC) entrance on NW 11th. The project will also complete a bike/pedestrian crossing with flashing beacon at GSMC's NW 11th entrance. The IOF

agreement includes a job-creation requirement of 58 new FTEs which was met in 2016 by GSMC. The total project cost is \$1.62 million of which the state will fund 50% not to exceed \$813,710. The project is now substantially complete and provides enhanced accessibility and safety for vehicles and pedestrians in the area.

5. The West Highland Trail project created a bike lane and/or separated trail on the south side of West Highland Avenue between SW 11th and Riverfront Park. It also provided a path under the Umatilla River Bridge on Highland into Riverfront Park. This project was substantially completed in 2018. This project was funded by a grant from ODOT with City matching funds.

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

FINANCIAL POLICIES

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

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

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

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to City of Hermiston for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. This was the twenty-seventh consecutive year that the City of Hermiston has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

The preparation of this report could not have been accomplished without the dedicated and efficient efforts of the staff of the Finance Department. We would like to thank the members of the department who contributed and assisted in the report's preparation. Our sincere appreciation goes to the Mayor and the City Council members for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Sincerely,

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

Byron Smith
City Manager



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Hermiston
Oregon**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

CITY OF HERMISTON, OREGON

List of Principal Officials

June 30, 2018

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:	Mark Krawczyk
City Recorder:	Lilly Alarcon-Strong
Chief of Police:	Jason Edmiston Roy
Water Superintendent:	Bicknell
Wastewater Superintendent:	Bill Schmittle Mark
Library Director:	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

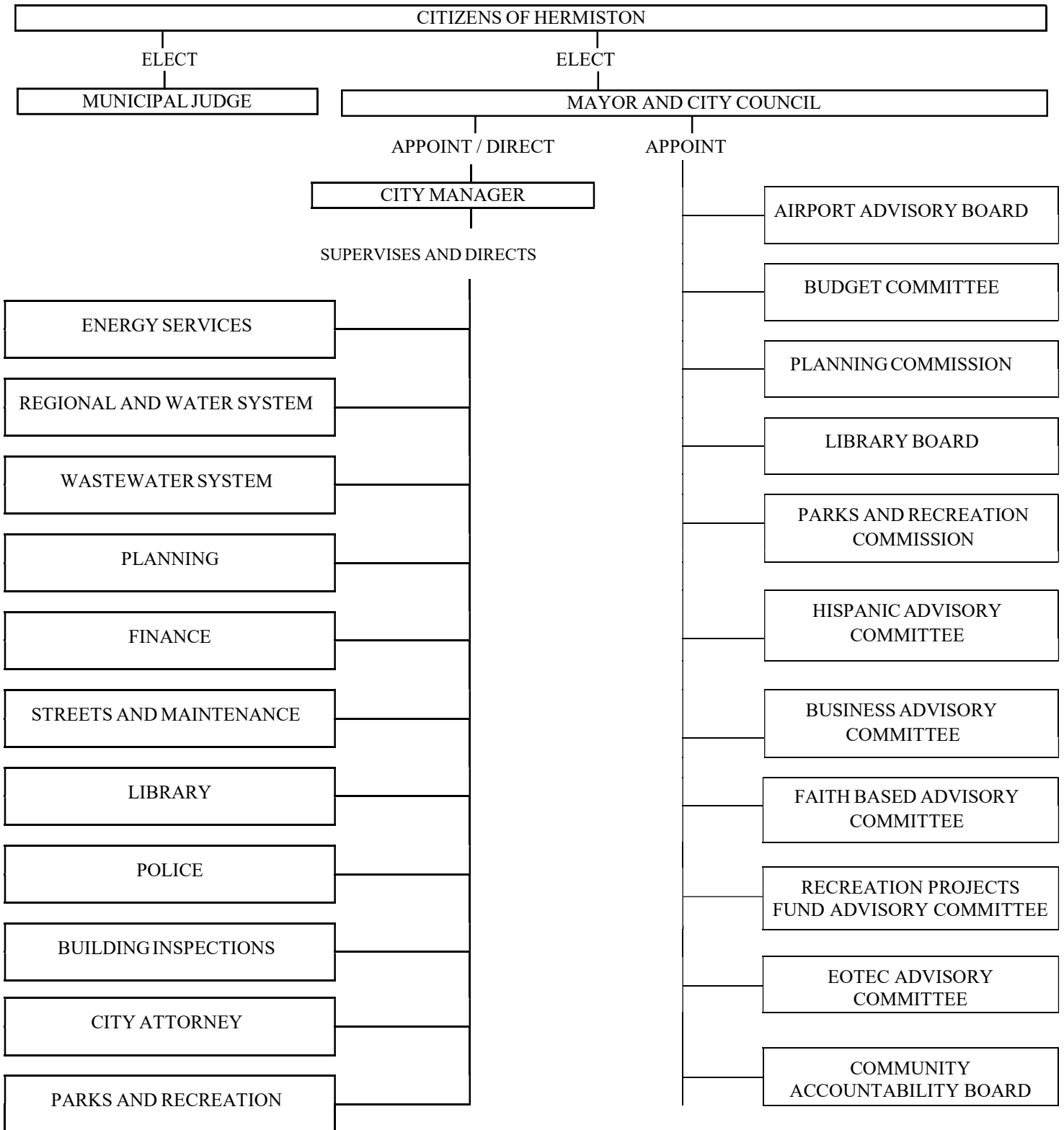
OFFICIAL ADDRESS

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

CITY OF HERMISTON, OREGON

Organizational Chart

June 30, 2018



FINANCIAL SECTION

BARNETT & MORO, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

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

GERALD J. MORO, C.P.A. EMERITUS

INDEPENDENT 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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

The budgetary comparison information for the Combined General Fund, State Tax Street Fund, EOTEC Operations Fund, and EOTEC General 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the financial statements.

The supplementary information section and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 6, 2018, 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 6, 2018, 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 6, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF HERMISTON, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

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, 2018. 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 \$129.3 million at June 30, 2018 consisting of approximately \$19 million in cash and investments, \$102.7 million in capital assets and \$7.6 million in other assets and deferred outflows of resources. Total assets and deferred outflows of resources increased by \$9.8 million from the previous fiscal year.
- The City's liabilities and deferred inflows of resources totaled \$66.1 million at June 30, 2018, consisting of \$59.2 million in non-current liabilities, \$6.2 million in current liabilities, and \$691 thousand in deferred inflows of resources. Total liabilities and deferred inflows of resources decreased by \$1.6 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 2018 by \$63.2 million (*net position*). Of this amount \$4.2 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 \$54.6 million net investment in capital assets, and \$4.4 million restricted for specific purposes.
- For its governmental activities the City generated \$2.8 million in Charges for Services and \$6.3 million in Operating and Capital Grants and Contributions. Direct expenses, including interest on long-term debt for governmental activities, were \$15.6 million for the year resulting in a net expense of \$6.5 million. After an additional \$7.9 million in general revenues and \$0.3 million in transfers in, governmental activities resulted in a \$1.7 million increase in net position.
- For its business-type activities the City generated \$15.4 million in Charges for Services and \$1.1 million in Capital Grants and Contributions to fund direct expenses of \$15.2 million resulting in a net revenue of \$1.3 million. After other general revenues and transfers out of \$0.3 million, net position from business-type activities increased by \$1.1 million.
- The City amended their joint venture agreement with Umatilla County and assumed full ownership of the Eastern Oregon Trade and Event Center (EOTEC). The change resulted in a net adjustment to beginning net position of \$9.1 million, which included a large increase in capital assets, reduction of the investment in joint venture – other asset, and assumption of \$740,000 in notes payable.
- The City implemented GASB Statement 75 at June 30, 2018. The change in accounting principle resulted in a restatement reducing beginning net position of \$525,262.

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, State Tax Street Fund, EOTEC Operations Fund and the EOTEC General Fund. This section also includes the Schedule of the Proportionate Share, Schedule of Contributions, and Schedule of

CITY OF HERMISTON, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

Changes in the City's OPEB Liability as they relate to the City's net pension liability and net OPEB liability.

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

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

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Assets:						
Cash and investments	\$ 12,001	\$ 13,628	\$ 7,048	\$ 11,540	\$ 19,049	\$ 25,168
Other assets	1,728	10,648	1,733	1,488	3,461	12,136
Capital assets	38,758	16,324	63,934	59,934	102,692	76,258
Total assets	<u>52,487</u>	<u>40,600</u>	<u>72,715</u>	<u>72,962</u>	<u>125,202</u>	<u>113,562</u>
Deferred outflows:	<u>2,910</u>	<u>4,165</u>	<u>1,224</u>	<u>1,842</u>	<u>4,134</u>	<u>6,007</u>
Liabilities:						
Current liabilities	2,569	1,983	3,677	3,283	6,246	5,266
Noncurrent liabilities	15,611	15,919	43,591	45,713	59,202	61,632
Total liabilities	<u>18,180</u>	<u>17,902</u>	<u>47,268</u>	<u>48,996</u>	<u>65,448</u>	<u>66,898</u>
Deferred inflows:	<u>511</u>	<u>610</u>	<u>180</u>	<u>238</u>	<u>691</u>	<u>848</u>
Net Position:						
Net investment in capital assets	31,874	13,373	24,632	21,734	54,642	32,983
Restricted	4,399	2,646	-	-	4,399	2,646
Unrestricted	<u>433</u>	<u>10,234</u>	<u>1,859</u>	<u>3,835</u>	<u>4,156</u>	<u>16,193</u>
Total Net Position	<u>\$ 36,706</u>	<u>\$ 26,253</u>	<u>\$ 26,491</u>	<u>\$ 25,569</u>	<u>\$ 63,197</u>	<u>\$ 51,822</u>

Over half of the City's net position (86% percent) reflects its net investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those

CITY OF HERMISTON, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The classification of borrowing as capital-related is made separately for each column reported on the government-wide statement of net position. Consequently, \$1.9 million in bonds payable reported in the total column is not reported in the governmental or business-type activities as the governmental activities hold the debt and the business-type activities hold the assets.

Analysis of Changes in Net Position:

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

	Governmental and Proprietary Activities Year Ending June 30, (in thousands)					
	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues						
Charges for service	\$ 2,791	\$ 2,289	\$ 15,382	\$ 14,536	\$ 18,173	\$ 16,825
Operating grants and contributions	1,806	1,723	-	-	1,806	1,723
Capital grants and contributions	4,482	836	1,064	-	5,546	836
General Revenues						
Taxes	7,442	6,661	-	-	7,442	6,661
Interest	77	54	110	21	187	75
Other	396	204	-	-	396	204
Total Revenues	16,994	11,767	16,556	14,557	33,550	26,324
Expenses						
General government	3,340	2,872	-	-	3,340	2,872
Public safety	5,540	5,309	-	-	5,540	5,309
Highways and streets	1,405	1,119	-	-	1,405	1,119
Cultural and recreation	4,590	2,626	-	-	4,590	2,626
Interest on long-term debt	274	174	-	-	274	174
Economic development	442	310	-	-	442	310
Water	-	-	3,962	3,766	3,962	3,766
Sewer	-	-	3,131	4,538	3,131	4,538
Electricity	-	-	8,062	7,864	8,062	7,864
Total Expenses	15,591	12,410	15,155	16,168	30,746	28,578
Change in net position before transfers	1,403	(643)	1,401	(1,611)	2,804	(2,254)
Transfers	324	363	(324)	(363)	-	-
Change in net position	1,727	(280)	1,077	(1,974)	2,804	(2,254)
Net position - beginning	26,253	26,533	25,569	27,418	51,822	53,951
Prior period adjustment	8,726	-	(155)	125	8,571	125
Beginning net position, restated	34,979	26,533	25,414	27,543	60,393	54,076
Net position - ending	<u>\$ 36,706</u>	<u>\$ 26,253</u>	<u>\$ 26,491</u>	<u>\$ 25,569</u>	<u>\$ 63,197</u>	<u>\$ 51,822</u>

CITY OF HERMISTON, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

Governmental Activities. Net position for governmental activities increased \$1.7 million resulting from \$17 million in total revenues offset by \$15.6 million in expenses and \$0.3 million in transfers in. Total revenues increased \$5.2 million, the bulk of which was due to an increase of \$3.6 million in capital grants and contributions and taxes of \$0.8 million. The beginning net position was also restated for a net increase of \$8.7 million because the City amended their joint venture agreement with Umatilla County and assumed full ownership of the Eastern Oregon Trade and Event Center (EOTEC) and implemented GASB Statement 75 related to OPEB.

Governmental expenses increased \$3.2 million in 2017-18 compared to 2016-17, which was mainly due to a large increase in Culture and Recreation expenses related to acquiring the EOTEC operations and capital assets and other inflationary factors.

Business-type activities. Net position for business activities increased \$1.1 million during the current fiscal year. Charges for Services revenues increased for Water, Sewer, and Electricity due to rates and usage. Capital Grants and Contributions increased \$1.1 million due to a reimbursement agreement related to expanding the Regional Water System.

Electricity expenses were up \$198,000 mainly due to increased costs for purchasing power and higher payments in lieu of taxes resulting from the increased revenues. Water expenses increased \$196,000 mainly due to inflation, and Sewer expenses decreased \$1.4 million, which was mainly due to unusual costs in the prior year to empty the sewer lagoon.

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, 2018, the City's governmental funds reported a combined ending fund balance of \$11.3 million compared to prior year's balance of \$13.5 million. The prior year balance was increased through a prior period adjustment of \$2.1 million for the reclassification of the activity related to EOTEC from an investment in joint venture to an activity merged into the City in the current year. After recording the prior period adjustment, the City had a decrease in fund balance of \$4.2 million, which was primarily due to spending reserves on capital projects for EOTEC and Urban Renewal, along with increased debt service from debt issued in the prior year and increased costs related to the operations of EOTEC. Unassigned fund balance as of June 30, 2018, was \$3.3 million and is available for spending at the City's discretion.

General Fund

The general fund is the chief operating fund of the City. At June 30, 2018, the total fund balance was \$3.4 million, of which \$3.3 million is considered unassigned, reflecting a decrease of approximately \$579,000 from the prior year. Expenditures in the general fund increased \$1.1 million from the prior year, which was mainly due to an increase in materials and services and payroll costs related to inflation and increased PERS rates. There was also an increase in capital outlay related to vehicle purchases. Revenues increased about \$948,000, which was mainly due to an increase in property tax revenues, franchise fees, and other charges for

CITY OF HERMISTON, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

services. Total fund balance decreased \$690,000 compared to a decrease in fund balance of \$606,000 in the prior year.

Other major governmental funds include the State Tax Street Fund, Reserve Fund, and the Combined EOTEC Operations Fund, and the EOTEC Construction Fund. The fund balance in the State Tax Fund decreased by \$110,000 primarily due to increased maintenance and capital projects. The Reserve Fund increased its fund balance by \$618,000 due to transfers in that exceeded capital costs for the current year and contributions from the County related to future EOTEC improvements. The Combined EOTEC Operations Fund decreased its fund balance by \$302,000 due to operational expenses and debt service exceeded income. The EOTEC Construction Fund decreased its fund balance by \$1.6 million due to spending reserves to complete construction.

General Fund Budgetary Highlights

The City adopted two supplemental budgets, which affected the General Fund, increasing appropriations by \$327,359. The largest part of the change was to increase transfers to the Reserve Fund, EOTEC Operations Fund, and Senior Center Construction fund by \$571,165 and increase non-departmental contractual and professional services by \$171,105, which was partially offset by a reduction in contingency of \$555,730.

General Fund revenues were over budgeted expectations by \$812,000, which was mainly due to property taxes, franchise fees, charges for services and miscellaneous revenues. Actual expenditures of the General Fund were \$1.6 million less than budgeted. The majority of this difference was in contingency.

Capital Assets

The City had \$102.7 million in capital assets net of depreciation at June 30, 2018 allocated as follows:

Net Capital Assets
(in thousands)

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2018	2017	2018	2017	2018	2017
Land and easements	\$ 3,463	\$ 2,442	\$ 1,080	\$ 1,086	\$ 4,543	\$ 3,528
Construction in progress	4,243	968	1,549	1,776	5,792	2,744
Buildings and systems	24,953	8,347	60,653	56,826	85,606	65,173
Machinery, equipment	1,056	422	652	245	1,708	667
Street system	5,043	4,145	-	-	5,043	4,145
Total capital assets	\$ 38,758	\$ 16,324	\$ 63,934	\$ 59,933	\$ 102,692	\$ 76,257

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

Debt Administration

At year end, the City had \$51.9 million in long term debt outstanding compared to \$53.7 million last year. The City repaid approximately \$2.9 million of long term debt during the year. The City did not issue any bonds or notes payable, but assumed a \$730,000 note payable related to EOTEC construction. Additional information on debt administration can be found in Note 5 to the Financial Statements.

Economic Factors and Next Year's Budgets and Rates

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

The City's overall budget for 2018-19 is \$54.9 million, which is a decrease of \$4.7 million from the prior year. This decrease is mainly due to a handful of construction projects that were essentially completed in the 2017-18 fiscal year, which include the Harkenrider Center, Festival Street, new water meters, new electric meters, and EOTEC. The budget includes a 3% cost of living adjustment for all City employees. The City discontinued using the Revenue Bonds Debt Service Fund financed by transfers from the enterprise funds and stopped transfers to the Bonded Debt Fund from the enterprise funds. The City includes amounts for the expected ending fund balance in each fund. Some of this is reflected in the Unappropriated Balance line item and some is reflected in the Reserve for Future Expenditure line item. The Unappropriated Balance allows the City a cash or working capital balance with which to begin the fiscal year following the current year. The City budgeted an unappropriated balance of \$1.3 million compared to \$2.3 million in the prior year. Reserves for Future Expenditure are intended to be saved for use in future fiscal years. This allows the City to accumulate funds for capital purchases or projects which need to be built up over multiple years. The adopted 2018-19 budget also includes a separate allocation for contingency of \$3.9 million.

Requests for Information

This financial report is designed to provide a general overview of the City of Hermiston, Oregon's finances. Questions concerning any of the information provided in this report, requests for additional information, or to obtain a copy of this report for the Hermiston Urban Renewal Agency should be addressed to: Finance Department, City of Hermiston, 180 N.E. Second Street, Hermiston, OR 97838.

BASIC FINANCIAL STATEMENTS

CITY OF HERMISTON, OREGON
STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 7,555,851	\$ 1,047,114	\$ 8,602,965
Investments	4,361,671	2,575,760	6,937,431
Restricted cash and cash equivalents	83,296	198,310	281,606
Receivables:			
Property taxes	315,777	-	315,777
Accounts, net	1,273,750	1,697,733	2,971,483
Prepaid items	97,761	35,225	132,986
Inventories	41,044	-	41,044
Total current assets	13,729,150	5,554,142	19,283,292
Noncurrent assets:			
Restricted cash and cash equivalents	-	3,227,020	3,227,020
Capital assets:			
Nondepreciable	7,706,304	2,628,408	10,334,712
Depreciable, net	31,051,877	61,305,187	92,357,064
Total noncurrent assets	38,758,181	67,160,615	105,918,796
Total assets	52,487,331	72,714,757	125,202,088
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	2,876,252	1,012,115	3,888,367
Deferred outflows related to OPEB	33,341	11,887	45,228
Deferred amounts on refunding	-	200,248	200,248
Total deferred outflows of resources	2,909,593	1,224,250	4,133,843
Total assets and deferred outflows of resources	\$ 55,396,924	\$ 73,939,007	\$ 129,335,931
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 1,220,634	\$ 1,112,080	\$ 2,332,714
Retainage payable	121,456	58,513	179,969
Accrued interest payable	71,956	252,230	324,186
Deposits	83,296	198,310	281,606
Unearned revenue	-	163,557	163,557
Current portion of long-term debt	1,071,230	1,892,556	2,963,786
Total current liabilities	2,568,572	3,677,246	6,245,818
Noncurrent liabilities:			
Other post employment benefits liability	387,139	141,663	528,802
Net pension liability	7,165,170	2,521,325	9,686,495
Noncurrent portion of long-term debt	8,058,844	40,927,912	48,986,756
Total noncurrent liabilities	15,611,153	43,590,900	59,202,053
Total liabilities	18,179,725	47,268,146	65,447,871
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	476,021	167,505	643,526
Deferred inflows related to OPEB	35,008	12,680	47,688
Total deferred inflows of resources	511,029	180,185	691,214
NET POSITION			
Net investment in capital assets	31,874,245	24,632,313	56,506,558
Restricted for:			
Debt service	178,504	-	178,504
Culture and recreation	1,484,092	-	1,484,092
Highways and streets	1,218,529	-	1,218,529
Public safety	55,932	-	55,932
Economic development	889,187	-	889,187
System development	572,649	-	572,649
Unrestricted	433,032	1,858,363	4,155,779
Total net position	36,706,170	26,490,676	63,196,846
Total liabilities, deferred inflows, and net position	\$ 55,396,924	\$ 73,939,007	\$ 129,335,931

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, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 3,339,591	\$ 623,338	\$ 541,213	\$ 503,841	\$ (1,671,199)	\$ -	\$ (1,671,199)
Public safety	5,539,752	809,235	44,923	17,000	(4,668,594)	-	(4,668,594)
Highways and streets	1,405,178	-	1,153,332	199,826	(52,020)	-	(52,020)
Culture and recreation	4,590,328	823,542	39,444	2,264,634	(1,462,708)	-	(1,462,708)
Economic development	441,929	534,812	27,582	1,496,408	1,616,873	-	1,616,873
Interest on long-term obligations	274,552	-	-	-	(274,552)	-	(274,552)
Total governmental activities	15,591,330	2,790,927	1,806,494	4,481,709	(6,512,200)	-	(6,512,200)
Business-type activities:							
Water	3,962,160	3,938,030	-	1,063,494	-	1,039,364	1,039,364
Sewer	3,130,807	2,588,829	-	-	-	(541,978)	(541,978)
Electricity	8,061,520	8,854,864	-	-	-	793,344	793,344
Total business-type activities	15,154,487	15,381,723	-	1,063,494	-	1,290,730	1,290,730
Total primary government	\$30,745,817	\$18,172,650	\$1,806,494	\$5,545,203	(6,512,200)	1,290,730	(5,221,470)
General revenues:							
Property taxes levied for:							
General purposes					5,601,122	-	5,601,122
Debt service					322,151	-	322,151
Franchise and transient room taxes					1,518,744	-	1,518,744
Interest and investment earnings					76,779	109,788	186,567
Miscellaneous					396,412	-	396,412
Transfers					324,231	(324,231)	-
Total general revenues and transfers					8,239,439	(214,443)	8,024,996
Change in net position					1,727,239	1,076,287	2,803,526
Net Position, beginning, as restated (see note 13)					34,978,931	25,414,389	60,393,320
Net Position, ending					\$ 36,706,170	\$ 26,490,676	\$ 63,196,846

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

FUND FINANCIAL STATEMENTS

Major Governmental Funds

Combined General Fund

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

State Tax Street Fund

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

Reserve Fund

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

EOTEC Operations Fund

The EOTEC Construction Fund accounts for the revenues and expenditures related to operating the Eastern Oregon Trade and Events Center

EOTEC Construction Fund

The EOTEC Construction Fund accounts for the construction of facilities for the Eastern Oregon Trade and Events Center.

CITY OF HERMISTON, OREGON
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	Combined General Fund	Street Tax Fund	Reserve Fund	Combined EOTEC Operations Fund	EOTEC Construction Fund	Other Governmental Funds	Totals
ASSETS							
Cash and cash equivalents	\$ 2,003,621	\$ 605,341	\$ 3,032,239	\$ 233,360	\$ -	\$ 1,764,586	\$ 7,639,147
Investments	1,490,550	-	2,871,121	-	-	-	4,361,671
Receivables:							
Property taxes	294,808	-	-	-	-	20,969	315,777
Accounts, net	386,347	110,872	80,556	355,500	-	340,475	1,273,750
Advances to other funds	30,031	-	-	-	-	10,000	40,031
Prepaid items	-	-	-	-	-	1,334	1,334
Total assets	\$ 4,205,357	\$ 716,213	\$ 5,983,916	\$ 588,860	\$ -	\$ 2,137,364	\$ 13,631,710
LIABILITIES							
Accounts payable and accrued liabilities	\$ 422,029	\$ 82,122	\$ 376,856	\$ 73,455	\$ -	\$ 266,172	\$ 1,220,634
Deposits	-	-	-	21,283	-	62,013	83,296
Retainage payable	-	-	-	-	-	121,456	121,456
Advances from other funds	-	-	10,000	-	-	30,031	40,031
Total liabilities	422,029	82,122	386,856	94,738	-	479,672	1,465,417
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	370,725	-	26,477	345,500	-	103,730	846,432
Total deferred inflows of resources	370,725	-	26,477	345,500	-	103,730	846,432
FUND BALANCES (DEFICIT)							
Nonspendable	30,031	-	-	-	-	-	30,031
Restricted	82,415	634,091	2,567,355	148,622	-	966,410	4,398,893
Committed	-	-	3,003,228	-	-	542,827	3,546,055
Assigned	-	-	-	-	-	44,725	44,725
Unassigned	3,300,157	-	-	-	-	-	3,300,157
Total fund balances	3,412,603	634,091	5,570,583	148,622	-	1,553,962	11,319,861
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,205,357	\$ 716,213	\$ 5,983,916	\$ 588,860	\$ -	\$ 2,137,364	\$ 13,631,710

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, 2018

Fund balances - total governmental funds	\$ 11,319,861
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds	38,758,181
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.	(4,764,939)
Net other post employment benefits (OPEB) liability, and the related deferred outflows and inflows, are not current financial resources or requirements, and therefore, are not reported in the funds.	(388,806)
Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the fund statements.	846,432
Accrued compensated absences are not due and payable in the current period, and, therefore, are not reported in the funds.	(381,754)
Accrued interest payable is not due and payable in the current period, and, therefore, is not reported in the fund statements.	(71,956)
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.	(8,748,320)
Prepaid insurance uses current financial resources and, therefore, is not reported in the funds.	96,427
Inventory uses current financial resources and, therefore, is not reported in the funds.	<u>41,044</u>
Net position of governmental activities	<u><u>\$ 36,706,170</u></u>

CITY OF HERMISTON, OREGON
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2018

	Combined General Fund	Street Tax Fund	Reserve Fund	Combined EOTEC Operations Fund	EOTEC Construction Fund	Other Governmental Funds	Totals
REVENUES							
Property taxes	\$ 5,481,750	\$ -	\$ -	\$ -	\$ -	\$ 444,802	\$ 5,926,552
Transient room taxes	-	-	-	86,651	-	897,420	984,071
Franchise fees	529,269	-	-	-	-	-	529,269
Licenses and fees	5,405	-	-	-	-	-	5,405
Charges for services	1,679,026	-	-	151,383	-	125,865	1,956,274
Intergovernmental	636,087	1,353,158	1,502,044	180,000	10,000	1,545,780	5,227,069
Fines and forfeitures	450,006	-	-	-	-	194,241	644,247
System development charges	-	-	77,256	-	-	-	77,256
Rental income	64,716	-	-	-	-	1,630	66,346
Contributions	-	-	28,490	104,775	267,561	20,523	421,349
Interest on investments	5,822	1,622	38,272	3,444	-	27,620	76,780
Miscellaneous	384,134	292	6,565	81	-	5,420	396,492
TOTAL REVENUES	<u>9,236,215</u>	<u>1,355,072</u>	<u>1,652,627</u>	<u>526,334</u>	<u>277,561</u>	<u>3,263,301</u>	<u>16,311,110</u>
EXPENDITURES							
Current:							
General government	2,528,266	-	436,376	-	-	212,256	3,176,898
Public safety	4,965,503	-	-	-	-	40,631	5,006,134
Culture and recreation	2,337,459	-	-	666,030	-	205,000	3,208,489
Economic development	-	-	-	-	-	441,929	441,929
Highways and streets	-	1,059,168	-	-	-	-	1,059,168
Capital outlay	247,802	105,305	2,518,394	-	1,917,615	3,002,327	7,791,443
Debt service	-	-	-	258,816	-	750,807	1,009,623
TOTAL EXPENDITURES	<u>10,079,030</u>	<u>1,164,473</u>	<u>2,954,770</u>	<u>924,846</u>	<u>1,917,615</u>	<u>4,652,950</u>	<u>21,693,684</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(842,815)</u>	<u>190,599</u>	<u>(1,302,143)</u>	<u>(398,512)</u>	<u>(1,640,054)</u>	<u>(1,389,649)</u>	<u>(5,382,574)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	1,303,165	60,000	1,919,828	96,230	-	1,975,766	5,354,989
Transfers out	(1,150,518)	(360,214)	-	-	-	(2,706,366)	(4,217,098)
TOTAL OTHER FINANCING SOURCES (USES)	<u>152,647</u>	<u>(300,214)</u>	<u>1,919,828</u>	<u>96,230</u>	<u>-</u>	<u>(730,600)</u>	<u>1,137,891</u>
NET CHANGE IN FUND BALANCE	(690,168)	(109,615)	617,685	(302,282)	(1,640,054)	(2,120,249)	(4,244,683)
FUND BALANCE, Beginning, as restated (see note 9)	<u>4,102,771</u>	<u>743,706</u>	<u>4,952,898</u>	<u>450,904</u>	<u>1,640,054</u>	<u>3,674,211</u>	<u>15,564,544</u>
FUND BALANCE, Ending	<u>\$ 3,412,603</u>	<u>\$ 634,091</u>	<u>\$ 5,570,583</u>	<u>\$ 148,622</u>	<u>\$ -</u>	<u>\$ 1,553,962</u>	<u>\$ 11,319,861</u>

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

CITY OF HERMISTON, OREGON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018

Net change in fund balance - governmental funds \$ (4,244,683)

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

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

 Unavailable revenues (140,083)

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.

745,637

Some expenses reported in the Statement of Activities do not require the use of current financial resources, and are not reported as expenditures in governmental funds:

 Change in inventory 15,564

 Change in prepaid insurance 6,879

 Change in compensated absences (45,648)

 Change in accrued interest payable (10,566)

 Change in pension liability and related deferred outflows and inflows (724,882)

 Change in OPEB liability and related deferred outflows and inflows (18,284)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets are allocated over the useful lives and reported as depreciation expense:

 Capital asset additions \$ 7,910,595

 Depreciation expense (1,767,290)

6,143,305

Change in net position - governmental activities \$ 1,727,239

FUND FINANCIAL STATEMENTS

Proprietary Funds

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

Electricity Operations

Hermiston Energy Services Fund

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

2016 FF&C Electric Fund

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

Utility Operations

Utility Fund

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

2017 FF&C Sewer and Water Fund

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

Revenue Bonded Debt Fund

The Revenue Bonded Debt Fund accounts for the payment of debt service for revenue bonded debt.

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, 2018

	Business - type Activities - Enterprise Funds			
	Electricity Operations	Utility Operations	Regional Water Operations	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 209,401	\$ 613,281	\$ 224,432	\$ 1,047,114
Investments	2,542,469	33,291	-	2,575,760
Restricted cash and cash equivalents	182,110	16,200	-	198,310
Receivables:				
Accounts, net	595,871	892,639	209,223	1,697,733
Prepaid items	2,398	30,322	2,505	35,225
Total current assets	<u>3,532,249</u>	<u>1,585,733</u>	<u>436,160</u>	<u>5,554,142</u>
Noncurrent assets:				
Restricted cash and cash equivalents	2,032,066	1,194,954	-	3,227,020
Capital assets, net	14,482,589	41,974,532	7,476,474	63,933,595
Total noncurrent assets	<u>16,514,655</u>	<u>43,169,486</u>	<u>7,476,474</u>	<u>67,160,615</u>
Total assets	<u>20,046,904</u>	<u>44,755,219</u>	<u>7,912,634</u>	<u>72,714,757</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension	102,615	820,856	88,644	1,012,115
Deferred outflows related to OPEB	1,064	9,852	971	11,887
Deferred amounts on refunding	200,248	-	-	200,248
Total deferred outflows of resources	<u>303,927</u>	<u>830,708</u>	<u>89,615</u>	<u>1,224,250</u>
Total assets and deferred outflows of resources	<u>\$ 20,350,831</u>	<u>\$ 45,585,927</u>	<u>\$ 8,002,249</u>	<u>\$ 73,939,007</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 638,685	\$ 434,223	\$ 39,172	\$ 1,112,080
Retainage payable	-	19,613	38,900	58,513
Accrued interest payable	38,795	213,435	-	252,230
Deposits	182,110	16,200	-	198,310
Unearned revenue	-	163,557	-	163,557
Current portion of long-term debt	650,495	1,242,061	-	1,892,556
Total current liabilities	<u>1,510,085</u>	<u>2,089,089</u>	<u>78,072</u>	<u>3,677,246</u>
Noncurrent liabilities:				
Other post employment benefits liability	9,437	122,252	9,974	141,663
Net pension liability	255,628	2,044,875	220,822	2,521,325
Noncurrent portion of long-term debt	15,121,678	25,806,234	-	40,927,912
Total liabilities	<u>16,896,828</u>	<u>30,062,450</u>	<u>308,868</u>	<u>47,268,146</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	16,983	135,851	14,671	167,505
Deferred inflows related to OPEB	959	10,772	949	12,680
Total deferred inflows	<u>17,942</u>	<u>146,623</u>	<u>15,620</u>	<u>180,185</u>
NET POSITION				
Net investment in capital assets	942,730	16,213,109	7,476,474	24,632,313
Unrestricted	2,493,331	(836,255)	201,287	1,858,363
Total net position	<u>3,436,061</u>	<u>15,376,854</u>	<u>7,677,761</u>	<u>26,490,676</u>
Total liabilities, deferred inflows, and net position	<u>\$ 20,350,831</u>	<u>\$ 45,585,927</u>	<u>\$ 8,002,249</u>	<u>\$ 73,939,007</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, 2018

Business - type Activities - Enterprise Funds

	Electricity Operations	Utility Operations	Regional Water Operations	Total
OPERATING REVENUES				
Charges for services - electricity	\$ 8,854,864	\$ -	\$ -	\$ 8,854,864
Charges for services - sewer	-	2,587,955	-	2,587,955
Charges for services - water	-	3,218,969	718,187	3,937,156
Miscellaneous	-	1,748	-	1,748
TOTAL OPERATING REVENUES	<u>8,854,864</u>	<u>5,808,672</u>	<u>718,187</u>	<u>15,381,723</u>
OPERATING EXPENSES				
Electricity	7,118,702	-	-	7,118,702
Sewer	-	1,959,508	-	1,959,508
Water	-	1,918,778	962,892	2,881,670
Depreciation	564,327	1,147,489	237,175	1,948,991
TOTAL OPERATING EXPENSES	<u>7,683,029</u>	<u>5,025,775</u>	<u>1,200,067</u>	<u>13,908,871</u>
OPERATING INCOME (LOSS)	<u>1,171,835</u>	<u>782,897</u>	<u>(481,880)</u>	<u>1,472,852</u>
NON-OPERATING INCOME (EXPENSES)				
Interest on investments	85,284	23,828	676	109,788
Interest expense	(378,491)	(867,125)	-	(1,245,616)
TOTAL NON-OPERATING INCOME (EXPENSES)	<u>(293,207)</u>	<u>(843,297)</u>	<u>676</u>	<u>(1,135,828)</u>
NET INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	878,628	(60,400)	(481,204)	337,024
CAPITAL CONTRIBUTIONS				
System development charges	-	-	1,063,494	1,063,494
TRANSFERS				
Transfers in	4,000	766,215	135,445	905,660
Transfers out	(1,059,891)	(170,000)	-	(1,229,891)
CHANGE IN NET POSITION	<u>(177,263)</u>	<u>535,815</u>	<u>717,735</u>	<u>1,076,287</u>
NET POSITION, Beginning, as restated (see note 12)	<u>3,613,324</u>	<u>14,841,039</u>	<u>6,960,026</u>	<u>25,414,389</u>
NET POSITION, Ending	<u>\$ 3,436,061</u>	<u>\$ 15,376,854</u>	<u>\$ 7,677,761</u>	<u>\$ 26,490,676</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, 2018

	Business-type Activities - Enterprise Funds			
	Electricity Operations	Utility Operations	Regional Water Operations	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 8,859,233	\$ 5,733,185	\$ 715,101	\$ 15,307,519
Payments to suppliers and others	(6,864,113)	(1,688,582)	(736,359)	(9,289,054)
Payments to employees and others for salaries/benefits	(286,443)	(2,184,677)	(209,411)	(2,680,531)
Net cash provided from (used by) operating activities	<u>1,708,677</u>	<u>1,859,926</u>	<u>(230,669)</u>	<u>3,337,934</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	4,000	766,215	135,445	905,660
Transfers out	(1,059,891)	(170,000)	-	(1,229,891)
Net cash provided from (used by) non-capital financing activities	<u>(1,055,891)</u>	<u>596,215</u>	<u>135,445</u>	<u>(324,231)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
System development charges	-	-	904,109	904,109
Acquisition of capital assets	(2,989,665)	(1,294,988)	(1,136,949)	(5,421,602)
Principal paid on long-term obligations	(590,000)	(1,113,761)	-	(1,703,761)
Interest paid on long-term obligations	(480,520)	(913,722)	-	(1,394,242)
Net cash provided from (used by) capital and related financing activities	<u>(4,060,185)</u>	<u>(3,322,471)</u>	<u>(232,840)</u>	<u>(7,615,496)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Net sales (purchases) of investments	(569,798)	219,293	-	(350,505)
Interest on investments	85,284	23,828	676	109,788
Net cash provided (used) by investing activities	<u>(484,514)</u>	<u>243,121</u>	<u>676</u>	<u>(240,717)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(3,891,913)</u>	<u>(623,209)</u>	<u>(327,388)</u>	<u>(4,842,510)</u>
CASH AND CASH EQUIVALENTS, Beginning	<u>6,315,490</u>	<u>2,447,644</u>	<u>551,820</u>	<u>9,314,954</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 2,423,577</u>	<u>\$ 1,824,435</u>	<u>\$ 224,432</u>	<u>\$ 4,472,444</u>
COMPRISED AS FOLLOWS:				
Cash and cash equivalents	\$ 209,401	\$ 613,281	\$ 224,432	\$ 1,047,114
Restricted cash and cash equivalents - current	182,110	16,200	-	198,310
Restricted cash and cash equivalents - noncurrent	2,032,066	1,194,954	-	3,227,020
	<u>\$ 2,423,577</u>	<u>\$ 1,824,435</u>	<u>\$ 224,432</u>	<u>\$ 4,472,444</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, 2018

	Business-type Activities - Enterprise Funds			
	Electricity Operations Fund	Utility Operations	Regional Water Operations	Totals
Reconciliation of operating income (loss) to net cash provided from (used by) operating activities				
Operating income (loss)	\$ 1,171,835	\$ 782,897	\$ (481,880)	\$ 1,472,852
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	564,327	1,147,489	237,175	1,948,991
(Increase) decrease in assets and deferred outflows:				
Receivables	(7,441)	(72,647)	(3,086)	(83,174)
Prepaid	(198)	(922)	(1,305)	(2,425)
Deferred outflows - pension	47,811	527,790	39,911	615,512
Deferred outflows - OPEB	(24)	1,285	29	1,290
Increase (decrease) in liabilities and deferred inflows:				
Accounts payable and accrued expenses	(55,882)	(40,992)	(2,611)	(99,485)
Deposits	11,810	1,400	-	13,210
Unearned revenues	-	(4,240)	-	(4,240)
Compensated absences payable	-	6,613	-	6,613
Other post employment benefits liability	(790)	(23,395)	(2,091)	(26,276)
Net pension liability	(18,681)	(414,447)	(13,602)	(446,730)
Deferred inflows - pension	(5,049)	(61,677)	(4,158)	(70,884)
Deferred inflows - OPEB	959	10,772	949	12,680
Net cash provided from (used by) operating activities	<u>\$ 1,708,677</u>	<u>\$ 1,859,926</u>	<u>\$ (230,669)</u>	<u>\$ 3,337,934</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

1. Summary of Significant Accounting Policies

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

A. Scope of Reporting Entity

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

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

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

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

B. Government-wide and Fund Financial Statements

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

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

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

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

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

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

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

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

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

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

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

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

D. Fund Types and Major Funds

Governmental Funds

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

General Fund

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

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

State Tax Street Fund

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

Reserve Fund

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

EOTEC Operations Fund

The EOTEC Operations Fund is used to account for the revenues and expenditures related to operating the Eastern Oregon Trade and Events Center.

EOTEC Construction Fund

The EOTEC Construction Fund is used to account for the construction of facilities for the Eastern Oregon Trade and Events 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 \$1,373,205 in the proprietary funds. Of this amount, \$127,589 was included in the cost of capital assets under construction and \$1,245,616 was expensed.

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

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

F. Cash and Cash Equivalents

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

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

G. Investments

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

H. Inventories and Prepaid Items

Inventory and prepaid items such as insurance are recorded in governmental funds using the purchases method and are expensed when purchased. The amounts are converted to the consumption method for the full accrual government-wide and proprietary fund statements and are expensed when the prepaid items and inventory are used.

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

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

become liens against the property on January 1 and July 1, respectively. Property taxes are payable in three installments due November 15, February 15, and May 15. A 3% discount is allowed for full payment by November 15. Interest at 16% annually is charged for late payments.

M. Income Taxes

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

N. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. The City has two items that qualify for reporting in this category. The deferred amount relating to pensions and other post-employment benefits (OPEB) is recognized as an outflow of resources in the period when the City recognizes expense/expenditures. The deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows are included in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has several items that qualify for reporting in this category. Unavailable revenue from property taxes in the General Fund, grants in the Reserve Fund, and municipal court in other governmental funds is reported in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that amount becomes available. The City also reports deferred amounts related to pensions and OPEB in the government-wide Statement of Net Position and in the proprietary funds Statement of Net Position. This amount is deferred and recognized as an inflow of resources in the period with the City recognizes pension and OPEB expense.

O. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

outstanding principal of related debt. Net investment in capital assets does not include the unspent proceeds of capital debt. Restricted net position represents net position restricted by parties outside of the City (such as creditors, grantors, contributors, laws, and regulations of other governments) and includes unspent proceeds of bonds issued to acquire or construct capital assets. The classification of borrowing as capital-related is made separately for each column reported on the government-wide statement of net position. The City's other restricted net position is temporarily restricted (ultimately expendable) assets. All other net position is considered unrestricted.

S. Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – non-spendable, restricted, committed, assigned and unassigned.

Non-Spendable – Includes amounts not immediately converted to cash, such as prepaid items, 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.

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

2. Cash and Investments

At June 30, 2018 cash and investment consisted of the following:

Cash	\$ 4,496,386
Cash equivalents	<u>7,615,205</u>
Total cash and cash equivalents	<u>\$ 12,111,591</u>

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

Cash and cash equivalents	\$ 8,602,965
Restricted cash and cash equivalents	<u>3,508,626</u>
Total cash and cash equivalents	<u>\$ 12,111,591</u>

<u>Investment Type</u>	<u>Weighted Average Maturity</u>	<u>Fair Value</u>
Local Government Investment Pool	-	\$ 7,615,205
US Agencies	1.38	<u>6,937,431</u>
	0.66	14,552,636
Less amounts classified as cash equivalents	<u>-</u>	<u>(7,615,205)</u>
Total investments	<u>1.38</u>	<u>\$ 6,937,431</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 \$234,051 of customer deposits and \$47,555 in police evidence. Noncurrent restricted cash consists of \$3,227,020 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, 2018, the book value of the City's deposits was \$4,457,371 and the bank balance was \$4,164,226. \$3,374,211 of the City's bank balances were exposed to custodial credit risk as they were collateralized under PFCP.

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Interest Rate Risk – Investments

As of June 30, 2018, the City's weighted average maturity of its investment portfolio was 1.38 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 \$1,988,264, Resolution Funding Corp \$1,995,738, Federal Farm Credit Bank \$977,476, Resolution Funding Corporation Strips \$996,806, and Federal Home Loan Bank \$979,147.

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, 2018, 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.

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

3. Capital Assets

The changes in capital assets for the governmental activities for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>EOTEC Restatement</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>					
Capital Assets, non-depreciable:					
Land	\$ 2,442,030	\$ 1,021,280	\$ -	\$ -	\$ 3,463,310
Construction in progress	967,802	7,973,902	4,305,177	(9,003,887)	4,242,994
Total capital assets, non-depreciable	<u>3,409,832</u>	<u>8,995,182</u>	<u>4,305,177</u>	<u>(9,003,887)</u>	<u>7,706,304</u>
Capital assets, depreciable:					
Buildings and improvements	17,009,661	7,368,383	10,683,804	-	35,061,848
Machinery and equipment	2,938,516	187,922	639,165	(73,175)	3,692,428
Street system	16,160,720	-	1,287,696	-	17,448,416
Total capital assets, depreciable	<u>36,108,897</u>	<u>7,556,305</u>	<u>12,610,665</u>	<u>(73,175)</u>	<u>56,202,692</u>
Total	39,518,729	16,551,487	16,915,842	(9,077,062)	63,908,996
Less accumulated depreciation for:					
Buildings and improvements	(8,662,489)	(234,324)	(1,211,616)	-	(10,108,429)
Machinery and equipment	(2,516,530)	(26,382)	(165,604)	71,816	(2,636,700)
Street system	(12,015,616)	-	(390,070)	-	(12,405,686)
Total accumulated depreciation	<u>(23,194,635)</u>	<u>(260,706)</u>	<u>(1,767,290)</u>	<u>71,816</u>	<u>(25,150,815)</u>
Net depreciable capital assets	<u>12,914,262</u>	<u>7,295,599</u>	<u>10,843,375</u>	<u>(1,359)</u>	<u>31,051,877</u>
Net capital assets	<u>\$ 16,324,094</u>	<u>\$ 16,290,781</u>	<u>\$ 15,148,552</u>	<u>\$ (9,005,246)</u>	<u>\$ 38,758,181</u>

Depreciation expense is allocated to governmental functions as follows:

Governmental activities:

General government	\$ 231,573
Public safety	95,287
Highways and streets	409,456
Culture and recreation	1,030,974
Total depreciation expense - governmental activities	<u>\$ 1,767,290</u>

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

The changes in capital assets for the business-type activities for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-type activities:				
Capital Assets, non-depreciable:				
Land	\$ 1,086,308	\$ -	\$ (6,565)	\$ 1,079,743
Construction in Progress	1,775,971	4,250,536	(4,477,842)	1,548,665
Total capital assets, non-depreciable	<u>2,862,279</u>	<u>4,250,536</u>	<u>(4,484,407)</u>	<u>2,628,408</u>
Capital assets, depreciable:				
Utility Systems and buildings	68,009,711	1,951,003	-	69,960,714
Electrical system	18,356,141	3,741,901	-	22,098,042
Equipment and vehicles	1,242,081	490,032	(6,300)	1,725,813
Total capital assets, depreciable	<u>87,607,933</u>	<u>6,182,936</u>	<u>(6,300)</u>	<u>93,784,569</u>
Total	90,470,212	10,433,472	(4,490,707)	96,412,977
Less accumulated depreciation for:				
Utility Systems and buildings	(22,488,312)	(1,301,426)	-	(23,789,738)
Electrical system	(7,051,126)	(564,327)	-	(7,615,453)
Equipment and vehicles	(997,253)	(83,238)	6,300	(1,074,191)
Total accumulated depreciation	<u>(30,536,691)</u>	<u>(1,948,991)</u>	<u>6,300</u>	<u>(32,479,382)</u>
Net depreciable capital assets	<u>57,071,242</u>	<u>4,233,945</u>	<u>-</u>	<u>61,305,187</u>
Net capital assets	<u>\$ 59,933,521</u>	<u>\$ 8,484,481</u>	<u>\$ (4,484,407)</u>	<u>\$ 63,933,595</u>

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

Business-type activities:	
Water	\$ 409,082
Sewer	738,407
Electric	564,327
Regional Water	237,175
Total depreciation expense - business-type activities	<u>\$ 1,948,991</u>

4. Risk Management

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

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

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

5. Long-term Debt

Long-term liability activity for the year ended June 30, 2018 was as follows:

	Balance June 30, 2017 (As restated)	Issued	Reductions	Balance June 30, 2018	Due Within One Year
Governmental activities:					
Principal Transactions:					
Governmental bonds					
2013 pool bonds	\$ 2,825,000	\$ -	\$ 110,000	\$ 2,715,000	\$ 110,000
2017 HURA bonds	1,475,000	-	50,000	1,425,000	55,000
2017 HURA premium	48,393	-	2,455	45,938	2,455
2017 TPA bonds	2,120,000	-	75,000	2,045,000	80,000
2017 TPA premium	69,797	-	3,542	66,255	3,542
2013 pool premium	101,471	-	6,342	95,129	6,342
2011 refunding regional water bonds	2,045,000	-	250,000	1,795,000	255,000
2011 refunding regional water premium	79,296	-	9,912	69,384	9,912
Total governmental bonds	<u>8,763,957</u>	<u>-</u>	<u>507,251</u>	<u>8,256,706</u>	<u>522,251</u>
Governmental Loans/Notes					
Banner Bank	730,000	-	238,386	491,614	243,576
Total Governmental Leases	<u>730,000</u>	<u>-</u>	<u>238,386</u>	<u>491,614</u>	<u>243,576</u>
Compensated absences	336,106	269,799	268,885	381,754	305,403
Total governmental activities	<u>\$ 9,830,063</u>	<u>\$ 269,799</u>	<u>\$ 1,014,522</u>	<u>\$ 9,130,074</u>	<u>\$ 1,071,230</u>
Business-type activities:					
Enterprise bonds					
2017 Water bonds	\$ 3,160,000	\$ -	\$ 110,000	3,050,000	\$ 120,000
2017 Water premium	104,074	-	5,281	98,793	5,281
2014 Sewer and water bonds	4,715,000	-	125,000	4,590,000	130,000
2014 sewer and water premium	242,558	-	10,546	232,012	10,546
2016 Electric bonds	15,530,000	-	590,000	14,940,000	605,000
2016 Electric Premium	877,668	-	45,495	832,173	45,495
Total enterprise bonds	<u>24,629,300</u>	<u>-</u>	<u>886,322</u>	<u>23,742,978</u>	<u>916,322</u>
Enterprise loans/notes					
Business Oregon	26,923	-	8,541	18,382	8,967
Oregon DEQ	19,837,410	-	870,220	18,967,190	893,733
Total enterprise loans	<u>19,864,333</u>	<u>-</u>	<u>878,761</u>	<u>18,985,572</u>	<u>902,700</u>
Compensated absences	85,305	79,245	72,632	91,918	73,534
Total business-type activities	<u>\$ 44,578,938</u>	<u>\$ 79,245</u>	<u>\$ 1,837,715</u>	<u>\$ 42,820,468</u>	<u>\$ 1,892,556</u>
Total City	<u>\$ 54,409,001</u>	<u>\$ 349,044</u>	<u>\$ 2,852,237</u>	<u>\$ 51,950,542</u>	<u>\$ 2,963,786</u>

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Bonds Payable

The City issues bonds to provide funds for the acquisition and construction of major capital facilities. Bonds have been issued for both general government and proprietary activities. These bonds therefore are reported in the proprietary funds if they are expected to be repaid from proprietary revenues.

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

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

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

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

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

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

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

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

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

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

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

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

Fiscal Year Ending June 30,	<u>Total enterprise bonds</u>		<u>Total governmental bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	1,011,322	661,762	617,251	182,181
2024-2028	5,531,610	2,821,112	2,271,519	650,858
2029-2033	6,456,610	1,887,963	2,206,694	344,277
2034-2038	6,317,056	662,550	927,238	80,137
2039-2043	641,092	25,000	-	-
Total	\$ 23,742,978	\$ 8,949,417	\$ 8,256,706	\$ 2,191,154

Notes payable

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

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

The City borrowed \$4,047,328 with an interest rate of 2.83% from the Clean Water State Revolving Loan Fund Loan Program from the Oregon Department of Environmental Quality. Semi Annual payments of principal and interest are due in April and October of each year and final repayment is expected in April 2035. Annual debt service requirements below are based upon a repayment schedule required by the loan agreement.

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

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.

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

Fiscal Year Ending
 June 30,

	Total enterprise loans		Total governmental loans	
	Principal	Interest	Principal	Interest
2019	\$ 902,700	\$ 596,766	\$ 243,576	\$ 15,240
2020	927,300	567,639	248,038	7,689
2021	942,687	537,716	-	-
2022	968,161	507,465	-	-
2023	994,325	476,395	-	-
2024-2028	5,389,510	1,885,737	-	-
2029-2033	6,158,247	972,871	-	-
2034-2038	2,702,642	104,960	-	-
	<u>\$ 18,985,572</u>	<u>\$ 5,649,549</u>	<u>\$ 491,614</u>	<u>\$ 22,929</u>

6. Fund Balance Classifications

Fund balances by classification for the year ended June 30, 2018 were as follows:

	Combined General Fund	Street Tax Fund	Reserve Fund	Combined EOTEC Operations	Non-major Governmental Funds	Total Governmental Funds
Fund Balance						
Nonspendable:						
Advance to other funds	\$ 30,031	\$ -	\$ -	\$ -	\$ -	\$ 30,031
Restricted for:						
Debt service	-	-	-	-	178,504	178,504
Culture and recreation	-	-	1,327,497	148,622	7,973	1,484,092
Highways and streets	-	634,091	584,438	-	-	1,218,529
Public safety	-	-	-	-	55,932	55,932
Economic development	82,415	-	82,771	-	724,001	889,187
System development	-	-	572,649	-	-	572,649
Committed to:						
Municipal court	-	-	-	-	12,815	12,815
Culture and recreation	-	-	55,567	-	119,587	175,154
Highways and streets	-	-	223,876	-	-	223,876
Economic development	-	-	208,843	-	82,677	291,520
Public safety	-	-	-	-	61,657	61,657
Utility systems	-	-	2,311,371	-	-	2,311,371
Insurance reserve	-	-	-	-	264,650	264,650
Other reserves	-	-	203,571	-	1,441	205,012
Assigned for:						
Other	-	-	-	-	44,725	44,725
Unassigned	<u>3,300,157</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,300,157</u>
Total Fund Balance	<u>\$ 3,412,603</u>	<u>\$ 634,091</u>	<u>\$ 5,570,583</u>	<u>\$ 148,622</u>	<u>\$ 1,553,962</u>	<u>\$ 11,319,861</u>

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

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.

7. Interfund Transfers, Loans, Receivables, Payables

A. Interfund Transfers

The City makes routine transfers between funds as follows:

- Amounts designated for specific purposes authorized by resolutions of the City Council are transferred to one of the City's reserve fund.
- Amounts designated for debt service are transferred to the Debt Service Fund.
- The Energy Fund pays five percent of gross energy revenues in lieu of taxes to the General Fund.
- Budgetary basis transfers reported on the Schedules of Revenues, Expenditures and Changes in Fund Balances

Non-routine transfers between funds were as follows:

- The City transferred \$300,000 to the Reserve Fund for EOTEC equipment and \$96,230 to the new EOTEC Operations Fund.
- The Miscellaneous Special Revenue Fund transferred \$456,145 of insurance reserves back to various funds that paid the monies in.
- A new resolution was passed during the year requiring 1/3 of franchise fees be transferred to the Reserve Fund for street improvements.
- The Energy Services Fund transferred \$500,000 to the Reserve Fund for future improvements.

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

- The City budgets payment in lieu of taxes as an expenditure of the Energy Fund and as revenue to the General Fund. The fund financial statements report these as a transfer.
- Expenditures for proprietary fund capital assets and repairs are made by the Reserve Fund. The City budgets these expenditures as capital outlay, but the fund financial statements report them as transfers.
- Transfers to the Bonded Debt Fund are reclassified as debt service payments for proprietary funds.

Transfers consist of the following:

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

	<u>Transfer In</u>	<u>Transfer Out</u>
Major Governmental Funds:		
Combined General Fund	\$ 1,303,165	\$ 1,150,518
State Tax Street Fund	60,000	360,214
Reserve Fund	1,919,828	-
Combined EOTEC Operations Fund	96,230	-
Total Major Governmental Funds	<u>3,379,223</u>	<u>1,510,732</u>
Non-Major Governmental Funds:		
Municipal Court Fund	-	17,423
Law Enforcement Fund	13,015	-
Misc. Special Revenue Fund	-	456,145
Transient Room Tax Fund	-	700,055
Conference Center Fund	90,965	32,743
Hermiston Urban Renewal Agency Fund	1,500,000	-
2017 Full Faith & Credit HURA Fund	-	1,500,000
Senior Center Construction Fund	37,000	-
Bonded Debt Fund	334,786	-
Total Non-Major Governmental Funds	<u>1,975,766</u>	<u>2,706,366</u>
Transfers for capital items and repairs	-	813,660
Proprietary Funds:		
Energy Operations	4,000	1,059,891
Utility Operations	766,215	170,000
Regional Water Operations	135,445	-
Total Proprietary Funds	<u>905,660</u>	<u>1,229,891</u>
Total All Funds	<u>\$ 6,260,649</u>	<u>\$ 6,260,649</u>

B. Interfund Loans Receivables and Payables

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

	<u>Interfund Loan Receivable</u>	<u>Interfund Loan Payable</u>
Combined General Fund	\$ 30,031	\$ -
Reserve Fund	-	10,000
Recreation Reserve Fund	10,000	-
Hermiston Urban Renewal Agency	-	30,031
Total	<u>\$ 40,031</u>	<u>\$ 40,031</u>

8. Commitments and Contingencies

Amounts received or receivable from state and federal grants are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

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, 2018, the City has incurred \$2,783,737 in costs towards the projects and the project was approximately essentially complete. The only item remaining was the parking lot.
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, 2018 were \$166,711 and the project was 50% complete.
3. Traffic Control at 11th & Elm – The City entered into an Immediate Opportunity Fund (IOF) agreement with the State of Oregon Department of Transportation (ODOT) in March 2016 to install a traffic signal at the intersection of Elm Avenue and NW 11th as well as a left-turn lane for southbound traffic into Good Shepherd Medical Center's (GSMC) entrance on NW 11th. The project will also complete a bike/pedestrian crossing with flashing beacon at GSMC's NW 11th entrance. The IOF agreement includes a job-creation requirement of 58 new FTEs. As of January 2016 GSMC had met the requirement. The total estimated project cost is \$1.62 million of which the state will fund 50% not to exceed \$813,710. The City is responsible for the remaining 50% plus any cost overruns that occur. The City has also entered into an agreement with GSMC stipulating that GSMC will provide \$450,000 of the City's \$813,710 share. The City has incurred costs towards the project of \$825,210, which is expected to be their full contribution and ODOT is completing the project.
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 11th 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 \$97,270 towards the project design and bidding, but construction had not yet started.
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, 2018, \$2,678,185 has been spent towards the projects, which is approximately 60% of the bond proceeds.
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, 2018, \$2,187,330 has been spent towards the projects, which is approximately 68% of the bond proceeds.
7. Regional Water Project – The City is extending the Regional Water System to various data centers and has entered into a cost reimbursement agreement for most of the costs. The estimated cost of the project is \$1,735,910. As of June 30, 2018, the City has spent \$1,033,404 towards the project, which was 60% complete.

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

9. Eastern Oregon Trade and Events Center (EOTEC)

In March 2012, the City entered into an intergovernmental agreement with Umatilla County establishing the Eastern Oregon Trade and Event Center Authority, an Oregon municipal corporation, to acquire, construct, own, manage and operate the Eastern Oregon Trade and Event Center. The City contributed land and infrastructure totaling \$1.3 million in 2013. The City transferred \$3.6 million in grant funds in 2016 for construction of the facility and 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 called for the City and Umatilla County to each own half of the facility, regardless of the amounts contributed by each. The City's net position in the joint venture as of June 30, 2017, was \$9,096,389.

The City and Umatilla County amended their agreement effective March 12, 2018 and the Authority was dissolved and merged into the City of Hermiston and a management company is operating the facility on the City's behalf. Under the requirements of GASB 69, the merger was reported as of the beginning of the fiscal year. Under the agreement, Umatilla County transferred all interest in the EOTEC property, agreed to provide annual contributions of \$75,000 per year through October of 2022, and will make improvements to East Airport and Ott Roads. Upon completion of the improvements, the City will take over maintenance and control of the roads. The County also provided \$105,000 towards the construction overrun, \$595,000 to split equipment and capital needs identified by the management company, and agreed to an annual lease payment of \$100,000 for six week use of the fairgrounds each year. The City agreed to assume all ongoing operations and maintenance costs for the complete ETEC facility, including the purchase of necessary equipment. The City will also pay ½ of the construction costs of the Fair Building up to \$250,000.

On the fund basis, the EOTEC General Fund and EOTEC Construction Fund were absorbed by the City and a beginning fund balance was restated to reflect a beginning fund balance of \$450,904 for the EOTEC General Fund and \$1,640,054 for the EOTEC Construction Fund.

On the full accrual basis, Governmental Activities beginning net position was adjusted to remove the prior year investment in joint venture of \$9,096,389 and to add the net capital and operating assets, operating liabilities, and long-term debt of the Authority totaling \$18,192,572. The net adjustment to beginning net position was an increase of \$9,096,183.

Many community members committed to make contributions toward the construction of EOTEC and to help repay the debt incurred for construction. Contributors were given the option to contribute in annual installments up to five years. Contributions receivable as of June 30, 2018 were \$355,500 with \$154,000 due by June 30, 2019, \$151,500 due by June 30, 2020, and \$50,000 due by June 30, 2021. Management believes that the contributions will be fully collected. In addition to the amounts above, there have been informal commitments made with a remaining \$125,000 of potential contributions.

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.

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, 2015, which became effective July 1, 2017. Employer contributions and employer pick-up contributions for the year ended June 30, 2018 were \$1,491,108, excluding \$29,324 to fund the retirement health insurance account (RHIA). The rates in effect for the fiscal year ended June 30, 2018, excluding the RHIA rate of .50% Tier One/Tier Two and .43% OPSRP, were 21.73 percent for Tier One/Tier Two General Service Member, 21.73 percent for Tier One/Tier Two Police and Fire, 13.99 percent for OPSRP Pension Program General Service Members, 18.76 percent for OPSRP Pension Program Police and Fire Members, and 6 percent for OPSRP Individual Account Program.

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

At June 30, 2018, the City reported a liability of \$9,686,495 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to June 30, 2017. 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, 2017, the City's proportionate share was 0.07185807 percent, which was increased from its proportionate share of 0.07036251 percent measured as of June 30, 2016.

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

For the year ended June 30, 2018, the City's recognized pension expense (income) of \$2,341,493. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 468,443	\$ -
Changes of assumptions	1,765,675	-
Net difference between projected and actual earnings on investments	99,794	-
Changes in proportionate share	179,987	556,650
Differences between employer contributions and employer's proportionate share of system contributions	<u>209,291</u>	<u>86,876</u>
Total (prior to post-MD contributions)	2,723,190	643,526
Contributions subsequent to the measurement date	<u>1,165,177</u>	<u>-</u>
Net Deferred Outflow/(Inflow) of Resources	<u><u>\$ 3,888,367</u></u>	<u><u>\$ 643,526</u></u>

\$1,165,177 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:	
2019	\$ 374,746
2020	1,155,648
2021	746,997
2022	(225,403)
2023	<u>27,676</u>
Total	<u><u>\$ 2,079,664</u></u>

E. Actuarial Assumptions

The employer contribution rates effective July 1, 2017, through June 30, 2019, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

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

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2015
Measurement Date	June 30, 2017
Experience Study Report	2014, published September 23, 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Long-Term Expected Rate of Return	7.50 percent
Discount Rate	7.50 percent
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision; blend based on service.
Mortality	Healthy retirees and beneficiaries; RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation. Active Members; Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per Scale BB, disabled mortality table.

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

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, 2018

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, 2018

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)	\$ 16,507,556	\$ 9,686,495	\$ 3,982,825

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 \$67,242 to the pension plan.

L. Changes in Plan Provisions During the Measurement Period

There were no changes during the June 30, 2017 measurement period that require disclosure.

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

M. 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 took effect January 1, 2018. The effect on the City has not been determined.

12. Other Post-Employment Benefits

For the fiscal year ended June 30, 2018, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions*. This statement addresses how state and local governments should account for and report their costs and obligations related to Other Postemployment Benefits (OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agency Employers and Agent Multiple-Employer Plans*.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. It establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The OPEB for the City combines two separate plans. The City provides an implicit rate subsidy for retiree Health Insurance Continuation (HIC) premiums, and a contribution to the State of Oregon's PERS cost-sharing multiple employer defined benefit plan Retirement Health Insurance Account.

Health Insurance Continuation

Plan Description. The City does not have a formal post-employment benefits plan for any employee groups. However, the City is required by Oregon Revised Statutes 243.303 to provide retirees with group health insurance from the date of retirement to age 65 at the same rate provided to current employees, which is considered a single employer plan. Although the City does not pay any portion of the retirees' healthcare insurance, a retired employee receives the implicit benefit of a lower healthcare premium which is subsidized among the premium cost of coverage for active employees. GASB Statement 75 is applicable to the City for this implicit rate subsidy. This "plan" is not a stand-alone plan and therefore does not issue its own financial statements. A separate, audited GAAP-basis postemployment benefit plan report is not available for this plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of statement 75. The City had 3 retired members and 76 active members in its plan on July 1, 2016, the date of its most recent actuarial valuation.

Outline of Plan Provisions

There are certain provisions that must be met in order for OPEB benefits to be eligible to retirees which are listed below:

- i. The retiree must be eligible to receive benefits from Oregon PERS.
- ii. Eligibility requirements for earliest retirement under Oregon PERS are:
 - 1) the earlier of age 55, or any age with 30 years of service for Tier 1 or Tier 2 employees and;
 - 2) age 55 with 5 years of service for OPSRP employees.
- iii. All classes of employee are eligible to continue medical benefit coverage upon retirement.
- iv. Qualified spouse, domestic partner, and children may qualify for coverage.

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

- v. Coverage for retirees and eligible dependents continues until Medical eligibility for each individual (or until dependent children become ineligible).
- vi. The retirees will contribute the full health plan premiums.
- vii. There is an implicit rate subsidy with respect to retired employees because the medical premium rates charged for coverage typically are less than they would be if the retirees were in a separately rated health plan.

Total OPEB Liability

The City's total OPEB liability of \$552,591 was measured as of June 30, 2017 and was determined by an actuarial valuation as of July 1, 2016.

Actuarial assumptions and other inputs

The total OPEB liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Valuation Date	July 1, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry age normal
Actuarial Assumptions:	
Inflation rate	2.5 percent per year
Discount rate	3.58 percent, based on a 20-year general obligation bond yield index published by The Bond Buyer
Projected salary increases	3.5 percent per year.
Health Cost Trend	Medical and vision: 2016-7%, 2018-6% and between 5% and 6.25% for the subsequent 40+ years.
Cost of living adjustment (COLA)	3.5 percent per year, based on general inflation and the likelihood of raises throughout participants' careers
Health mortality	RP-2000 healthy white collar male and female mortality tables, set back one year for males. Mortality is projected on generational basis using Scale BB for males and females.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2017	\$ 555,936
Changes for the year:	
Service cost	39,167
Interest	16,695
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(40,489)
Benefit payments	<u>(18,718)</u>
Net changes	<u>(3,345)</u>
Balance at June 30, 2018	<u>\$ 552,591</u>

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Sensitivity of the total OPEB liability to changes in the discount and trend rates. The following presents the total OPEB liability of the City's, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current discount rate:

	<u>1% Decrease (2.58%)</u>	<u>Current Discount Rate (3.58%)</u>	<u>1% Increase (4.58%)</u>
Total OPEB liability	\$ 609,631	\$ 552,591	\$ 500,320

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

	<u>1% Decrease</u>	<u>Healthcare Current Trend Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 479,824	\$ 552,591	\$ 639,138

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

For the year ended June 30, 2018, the City recognized OPEB expense of \$52,043. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions or inputs	\$ -	\$ 36,670
Contributions subsequent to the measurement date	<u>15,815</u>	<u>-</u>
Net Deferred Outflow/(Inflow) of Resources	<u>\$ 15,815</u>	<u>\$ 36,670</u>

\$15,815 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 OPEB liability in the next fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OBEP will be recognized in expense as follows:

Year ended June 30:	
2019	\$ (3,820)
2020	(3,820)
2021	(3,820)
2022	(3,820)
2023	(3,820)
Thereafter	<u>(17,570)</u>
Total	<u>\$ (36,670)</u>

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

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 0.50% of annual covered payroll for Tier I and Tier II employees and 0.43% for OPSRP employees. The OPERS Board of Trustees sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 75. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The City's contributions to RHIA for the years ended June 30, 2018, 2017 and 2016 were \$29,324, \$27,290, and \$27,717, which equaled the required contributions each year.

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

At June 30, 2018, the City reported an asset of \$23,789 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2017, and the total OPEB asset used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to June 30, 2017. The City's proportion of the net OPEB asset was based on a projection of the City's long-term share of contributions to the plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the City's proportion was 0.0570 percent, which was increased from its proportion of 0.0565 percent measured as of June 30, 2016.

For the year ended June 30, 2018, the City's recognized OPEB expense (income) of \$161. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on investments	\$ -	\$ 11,018
Changes in proportionate share	<u>89</u>	<u>-</u>
Total (prior to post-MD contributions)	89	11,018
Contributions subsequent to the measurement date	<u>29,324</u>	<u>-</u>
Net Deferred Outflow/(Inflow) of Resources	<u>\$ 29,413</u>	<u>\$ 11,018</u>

\$29,324 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB asset/liability in the next fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in expense as follows:

Year ended June 30:	
2019	\$ (2,721)
2020	(2,721)
2021	(2,731)
2022	<u>(2,756)</u>
Total	<u>\$ (10,929)</u>

Actuarial Assumptions

The RHIA plan is unaffected by health care cost trends since the benefit is limited to a \$60 monthly payment toward Medicare companion insurance premiums. Consequently, the disclosure of a healthcare cost trend is not applicable. Other significant actuarial assumptions are as follows:

Valuation Date	December 31, 2015
Measurement Date	June 30, 2017
Experience Study Report	2014, published September 23, 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Long-Term Expected Rate of Return	7.50 percent
Discount Rate	7.50 percent
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision; blend based on service.
Mortality	<p>Healthy retirees and beneficiaries; RP-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>

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

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.

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

Asset Class	Target Allocation	Compounded Annual Return (Geometric)
Core Fixed Income	8.00%	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	100.00%	
Assumed Inflation - Mean		2.50%

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Discount rate

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

Depletion date projection

GASB 75 generally requires that a blended discount rate be used to measure the Total OPEB asset/liability. The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses.

Sensitivity of the City's proportionate share of the net OPEB asset to changes in the discount rate

The following presents the City's proportionate share of the net OPEB asset calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Total OPEB (asset) liability	\$ 3,316	\$ (23,789)	\$ (46,843)

Pension plan fiduciary net position

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

Changes in Plan Provisions During the Measurement Period

There were no changes during the June 30, 2017 measurement period that require disclosure.

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 took effect January 1, 2018. The effect on the City has not been determined.

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Aggregate Net OPEB Asset/Liability and Deferred Outflows/Inflows

The aggregate Net OPEB Asset/Liability was reported as a net liability in the financial statements. A summary of the aggregate Net OPEB Asset/Liability and Deferred Outflows/Inflows for the two plans is as follows:

	Net OPEB (Asset) Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Health Insurance Continuation	\$ 552,591	\$ 15,815	\$ 36,670
Retirement Health Insurance Account (RHIA)	(23,789)	29,413	11,018
Aggregate amounts related to OPEB	<u>\$ 528,802</u>	<u>\$ 45,228</u>	<u>\$ 47,688</u>

Change in Accounting Principle

City of Hermiston implemented GASB Statement 75 at June 30, 2018. The Change in accounting principle resulted in a restatement reducing beginning net position of governmental activities of a net \$370,522 and business-type activities by a net \$154,740.

13. Prior Period Adjustment

Prior period adjustments for the City resulted from the change in accounting principle related to implementation of GASB 75 for other post-employment benefits, as described above in Note 12. In addition, the City recorded a prior period adjustment for the reclassification of the activity related to the Eastern Oregon Trade and Events Center (EOTEC) from an investment in joint venture to an activity merged into the City in the current year, as described above in Note 9.

14. Tax Abatement Disclosures

The City enters into property tax abatement agreements with local businesses under the Hermiston Enterprise Zone authorized by Oregon Statute 285C.175. The Hermiston Enterprise Zone is largely contiguous to Hermiston’s City limits and allows eligible (generally non-retail) businesses that expand into the area, to receive total exemption from the property taxes normally assessed on new plan and equipment for three years. For the basic three-year property tax exemption, the business needs to increase full time, permanent employment by one new job or 10%, whichever is greater; have no concurrent job losses outside of Hermiston, but inside of Oregon; and maintain the employment level during the exemption period. Some projects which meet the basic three-year exemption may also qualify for an additional one to two years of tax exemption if the total compensation of new the new workers is at or above 150% of Umatilla County’s average wage and there is a written agreement with the City of Hermiston. The City has two five-year agreements with a producer of hybrid seeds for agriculture that expanded into the Hermiston Enterprise Zone. The City’s portion of the abated taxes was approximately \$76,000. There is also a food processing plant in the enterprise zone under a three year agreement, but the City’s portion of the abated taxes was zero since it is outside of the City limits.

15. GASB Pronouncements

It is the City’s policy to implement new GASB pronouncements no later than the required effective date. The City implemented GASB 75 related to other post-employment benefits, as described above in Note 12. Upcoming pronouncements, which may have an effect on the City, are listed below:

GASB Statement No. 87, Leases. This Statement was issued June 2017 to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

governments and increases the usefulness of governments' financial statements. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB Statement No. 87 will be effective for the City for fiscal year ending June 30, 2021.

GASB Statement No. 88, Certain Disclosures Related to Debt, Including Debt Borrowings and Direct Placements. This Statement was issued April 2018 to improve the information that is disclosed in notes to governmental financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. GASB Statement No. 88 will be effective for the City for the fiscal year ending June 30, 2019.

GASB Statement No. 89, Accounting for Interest Costs Incurred Before the End of a Construction Period. This statement was issued June 2018 to establish accounting requirements for interest cost incurred before the end of a construction period. The objectives of the Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 will be effective for the City for fiscal year ending June 30, 2021.

16. Subsequent Events

At the October 8, 2018 City Council meeting, the Council approved resolutions increasing sewer and water utility rates based on the rate study performed by their consultant. The Council also approved a motion directing staff to negotiate and sign a contract with Knerr Construction for the EOTEC Building/RV Park Projects.

The City approved entering into a loan agreement with the Oregon Infrastructure Finance Authority (IFA) for a loan amount up to \$4,516,575 at an interest rate of 3.09%, to construct the North Hermiston Water Storage and Distribution System Improvements.

The City Council approved an intergovernmental agreement with ODOT for street improvements on North 1st Place for \$4.5 million allocated to the City from House Bill 2017, the Statewide Transportation Package.

REQUIRED SUPPLEMENTARY INFORMATION

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
REVENUES				
Property taxes	\$ 5,168,340	\$ 5,168,340	\$ 5,481,750	\$ 313,410
Franchise fees	828,360	961,690	1,089,160	127,470
Licenses and fees	7,300	7,300	5,405	(1,895)
Charges for services	1,403,430	1,415,430	1,679,026	263,596
Intergovernmental	572,780	577,780	636,087	58,307
Fines and forfeitures	548,500	548,500	450,006	(98,494)
Rental income	75,000	75,000	64,716	(10,284)
Interest on investments	35,000	35,000	5,199	(29,801)
Miscellaneous	142,000	194,125	384,134	190,009
TOTAL REVENUES	<u>8,780,710</u>	<u>8,983,165</u>	<u>9,795,483</u>	<u>812,318</u>
EXPENDITURES				
Current:				
General government	2,448,255	2,646,360	2,528,266	118,094
Public safety	5,126,690	5,199,739	4,965,503	234,236
Culture and recreation	2,386,260	2,415,510	2,337,459	78,051
Capital outlay	240,800	252,320	247,802	4,518
Contingency	1,756,860	1,201,130	-	1,201,130
TOTAL EXPENDITURES	<u>11,958,865</u>	<u>11,715,059</u>	<u>10,079,030</u>	<u>1,636,029</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(3,178,155)</u>	<u>(2,731,894)</u>	<u>(283,547)</u>	<u>2,448,347</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	620,265	620,265	743,274	123,009
Interfund loan proceeds	111,425	111,425	111,429	4
Transfers out	(530,390)	(1,101,555)	(1,150,518)	(48,963)
TOTAL OTHER FINANCING SOURCES (USES)	<u>201,300</u>	<u>(369,865)</u>	<u>(295,815)</u>	<u>74,050</u>
NET CHANGE IN FUND BALANCE	(2,976,855)	(3,101,759)	(579,362)	2,522,397
Budgetary basis adjustment	-	-	(110,806)	(110,806)
FUND BALANCE, Beginning	<u>3,003,715</u>	<u>3,128,619</u>	<u>4,102,771</u>	<u>974,152</u>
FUND BALANCE, Ending	<u>\$ 26,860</u>	<u>\$ 26,860</u>	<u>\$ 3,412,603</u>	<u>\$ 3,385,743</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,221,230	\$ 1,221,230	\$ 1,353,158	\$ 131,928
Interest on investments	-	-	1,622	1,622
Miscellaneous	-	-	292	292
TOTAL REVENUES	<u>1,221,230</u>	<u>1,221,230</u>	<u>1,355,072</u>	<u>133,842</u>
EXPENDITURES				
Current:				
Highways and streets:				
Personnel services	599,240	599,240	541,855	57,385
Materials and services	842,905	492,905	517,313	(24,408)
Capital outlay	142,000	142,000	105,305	36,695
Contingency	236,871	236,871	-	236,871
TOTAL EXPENDITURES	<u>1,821,016</u>	<u>1,471,016</u>	<u>1,164,473</u>	<u>306,543</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(599,786)</u>	<u>(249,786)</u>	<u>190,599</u>	<u>440,385</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	60,000	60,000	60,000	-
Transfers out	(10,214)	(360,214)	(360,214)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>49,786</u>	<u>(300,214)</u>	<u>(300,214)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(550,000)	(550,000)	(109,615)	440,385
FUND BALANCE, Beginning	<u>550,000</u>	<u>550,000</u>	<u>743,706</u>	<u>193,706</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 634,091</u>	<u>\$ 634,091</u>

See auditor's report.

CITY OF HERMISTON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
EOTEC OPERATIONS FUND
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ -	\$ 74,800	\$ 73,265	\$ (1,535)
Contributions	-	-	10,000	10,000
Interest on investments	-	-	64	64
TOTAL REVENUES	-	74,800	83,329	8,529
EXPENDITURES				
Current:				
Culture and recreation:				
Personnel services	-	140,275	107,864	32,411
Materials and services	-	146,255	122,169	24,086
TOTAL EXPENDITURES	-	286,530	230,033	56,497
REVENUES OVER (UNDER) EXPENDITURES	-	(211,730)	(146,704)	65,026
OTHER FINANCING SOURCES (USES)				
Transfers in	-	96,230	96,230	-
TOTAL OTHER FINANCING SOURCES (USES)	-	96,230	96,230	-
NET CHANGE IN FUND BALANCE	-	(115,500)	(50,474)	65,026
FUND BALANCE, Beginning	-	115,500	-	(115,500)
FUND BALANCE, Ending	\$ -	\$ -	\$ (50,474)	\$ (50,474)

See auditor's report.

CITY OF HERMISTON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
EOTEC GENERAL FUND
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Other taxes	\$ 115,000	\$ 115,000	\$ 86,651	\$ (28,349)
Charges for services	132,000	132,000	78,118	(53,882)
Intergovernmental	150,000	150,000	180,000	30,000
Contributions	258,580	258,580	94,775	(163,805)
Rental income	10,500	10,500	-	(10,500)
Interest on investments	685	685	3,380	2,695
Miscellaneous	-	-	81	81
TOTAL REVENUES	<u>666,765</u>	<u>666,765</u>	<u>443,005</u>	<u>(223,760)</u>
EXPENDITURES				
Current:				
Culture and recreation:				
Personnel services	225,810	225,810	46,114	179,696
Materials and services	261,675	261,675	389,883	(128,208)
Debt service	<u>258,580</u>	<u>258,580</u>	<u>258,816</u>	<u>(236)</u>
TOTAL EXPENDITURES	<u>746,065</u>	<u>746,065</u>	<u>694,813</u>	<u>51,252</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(79,300)</u>	<u>(79,300)</u>	<u>(251,808)</u>	<u>(172,508)</u>
NET CHANGE IN FUND BALANCE	(79,300)	(79,300)	(251,808)	(172,508)
FUND BALANCE, Beginning, as restated (see note 9)	<u>384,000</u>	<u>384,000</u>	<u>450,904</u>	<u>66,904</u>
FUND BALANCE, Ending	<u>\$ 304,700</u>	<u>\$ 304,700</u>	<u>\$ 199,096</u>	<u>\$ (105,604)</u>

See auditor's report.

CITY OF HERMISTON, OREGON
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
For The Last Ten Fiscal Years

Measurement Date June 30,	(a) City's proportion of the net pension liability (asset)	(b) City's proportionate share of the net pension liability (asset)	(c) City's covered payroll	(b/c) City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.07185807%	\$ 9,686,495	\$ 5,940,029	163.07%	83.12%
2016	0.07036251%	\$ 10,563,046	\$ 5,712,418	184.91%	80.50%
2015	0.08383593%	\$ 4,813,407	\$ 5,473,635	87.94%	91.90%
2014	0.07543283%	\$ (1,709,847)	\$ 5,446,273	-31.39%	103.60%
2013	0.07543283%	\$ 3,849,448	\$ 5,273,682	72.99%	91.97%

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

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

**CITY OF HERMISTON, OREGON
SCHEDULE OF CONTRIBUTIONS
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
For The Last Ten Fiscal Years**

Year Ended June 30,	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency (excess)	(c) City's covered payroll	(b/c) Contributions as a percent of covered payroll
2018	\$ 1,165,176	\$ 1,165,176	\$ -	\$6,269,331	18.59%
2017	\$ 830,708	\$ 830,708	\$ -	\$5,940,029	13.98%
2016	\$ 836,292	\$ 836,292	\$ -	\$5,712,418	14.64%
2015	\$ 733,439	\$ 733,439	\$ -	\$5,473,635	13.40%
2014	\$ 764,158	\$ 764,158	\$ -	\$5,446,273	14.03%

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

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

CITY OF HERMISTON, OREGON
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
OPERS RETIREMENT HEALTH INSURANCE ACCOUNT
For The Last Ten Fiscal Years

Measurement Date June 30,	(a) City's proportion of the net OPEB pension liability (asset)	(b) City's proportionate share of the net OPEB pension liability (asset)	(c) City's covered payroll	(b/c) City's proportionate share of the OPEB pension liability (asset) as a percentage of its covered payroll	City's plan net position as a percentage of the total OPEB liability
2017	0.05700055%	\$ (23,789)	\$ 5,940,029	-0.40%	108.88%
2016	0.05655190%	\$ 15,357	\$ 5,712,418	0.27%	94.15%

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

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

**CITY OF HERMISTON, OREGON
SCHEDULE OF CONTRIBUTIONS
OPERS RETIREMENT HEALTH INSURANCE ACCOUNT
For The Last Ten Fiscal Years**

Year Ended June 30,	Contractually required contributions	City's contributions in relation to the contractually required contribution	City's contribution deficiency (excess)	City's covered employee payroll	City's contribution as a percentage of covered employee payroll
2018	\$ 29,324	\$ 29,324	\$ -	\$ 6,269,331	0.47%
2017	\$ 27,290	\$ 27,290	\$ -	\$ 5,940,029	0.46%
2016	\$ 27,717	\$ 27,717	\$ -	\$ 5,712,418	0.49%

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

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

CITY OF HERMISTON, OREGON
SCHEDULE OF CHANGES IN THE CITY'S OPEB LIABILITY AND RELATED RATIOS
For The Last Ten Fiscal Years

Year Ended June 30,	Service cost	Interest	Changes of assumptions	Benefit payments	City's Net change in total OPEB liability	City's total OPEB liability - Beginning	City's total OPEB liability - Ending	City's covered employee payroll	City's total OPEB liability as a percentage of payroll
2018	\$39,167	16,696	(40,489)	(18,718)	(3,344)	555,936	\$ 552,592	\$ 6,269,331	8.81%
2017	\$ -	-	-	-	-	-	\$ 555,936	\$ 5,940,029	9.36%

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

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

CITY OF HERMISTON, OREGON
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018

Stewardship, Compliance, and Accountability

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

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, 2018. The City had three supplemental budgets during the year-ended June 30, 2018. Appropriations lapse as of year-end.

Expenditures in the following funds exceeded appropriations for the year ended June 30, 2018:

<u>Fund</u>	<u>Organizational Unit</u>	<u>Amount of Over Expenditure</u>
General fund	Transfers out	\$48,963
State tax street fund	Materials and services	\$24,408
EOTEC general fund	Materials and services	\$128,208
EOTEC general fund	Debt service	\$236
Transient room tax	Transfers out	\$160,645
EOTEC construction fund	Capital outlay	\$734,790
Energy services fund	Materials and services	\$498,248
2016 FF&C electric fund	Materials and services	\$1,200

Changes in Benefit Terms

There were no significant changes in benefit terms in the current period.

Changes of Assumptions

There were no significant changes in assumptions in the current period related the net pension obligation. Subsequent to the measurement date, the PERS Board lowered the assumed earnings rate to 7.2 percent. For member transactions, this rate took effect January 1, 2018. The effect on the City has not been determined.

CITY OF HERMISTON, OREGON
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018

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

SUPPLEMENTAL INFORMATION

COMBINING STATEMENTS

Non-Major Governmental Funds

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

- *Transient Room Tax Fund* – This fund accounts for revenues collected from the City's transient room tax.
- *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.
- *Community Center Fund* – The Community 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.
- *2017 FF&C TPA Fund* – The 2017 FF&C TPA Fund accounts for bond proceeds used to help construct the Eastern Oregon Trade and Events Center.

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

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

**CITY OF HERMISTON, OREGON
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2018**

	Transient Room Tax Fund	Recreation Reserve Fund	Municipal Court Fund	Miscellaneous Special Revenue Fund	Community Center Fund	Christmas Express Fund
ASSETS						
Cash and cash equivalents	\$ 137,662	\$ 63,420	\$ 28,154	\$ 376,853	\$ 23,258	\$ 26,213
Receivables:						
Property taxes	-	-	-	-	-	-
Accounts	241,781	-	86,744	-	-	-
Advances to other funds	-	10,000	-	-	-	-
Prepaid items	-	-	-	1,334	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 379,443</u>	<u>\$ 73,420</u>	<u>\$ 114,898</u>	<u>\$ 378,187</u>	<u>\$ 23,258</u>	<u>\$ 26,213</u>
LIABILITIES						
Accounts payable and accrued liabilities	\$ 8,277	\$ -	\$ 15,339	\$ 105,791	\$ 6,778	\$ -
Deposits	-	-	-	-	14,108	-
Retainage payable	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>8,277</u>	<u>-</u>	<u>15,339</u>	<u>105,791</u>	<u>20,886</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	-	86,744	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>86,744</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICIT)						
Restricted	371,166	-	-	-	-	26,213
Committed	-	35,000	12,815	266,091	2,372	-
Assigned	-	38,420	-	6,305	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>371,166</u>	<u>73,420</u>	<u>12,815</u>	<u>272,396</u>	<u>2,372</u>	<u>26,213</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 379,443</u>	<u>\$ 73,420</u>	<u>\$ 114,898</u>	<u>\$ 378,187</u>	<u>\$ 23,258</u>	<u>\$ 26,213</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	2017 FF&C TPA Fund	Bonded Debt Fund	Totals
\$ 131,771	\$ 90,642	\$ 483,707	\$ 203,247	\$ 23,575	\$ 831	\$ 175,253	\$ 1,764,586
-	-	4,414	-	-	-	16,555	20,969
7,950	-	-	4,000	-	-	-	340,475
-	-	-	-	-	-	-	10,000
-	-	-	-	-	-	-	1,334
<u>\$ 139,721</u>	<u>\$ 90,642</u>	<u>\$ 488,121</u>	<u>\$ 207,247</u>	<u>\$ 23,575</u>	<u>\$ 831</u>	<u>\$ 191,808</u>	<u>\$ 2,137,364</u>
\$ 790	\$ 104	\$ 125,979	\$ 3,114	\$ -	\$ -	\$ -	\$ 266,172
47,555	350	-	-	-	-	-	62,013
-	-	-	121,456	-	-	-	121,456
-	-	30,031	-	-	-	-	30,031
<u>48,345</u>	<u>454</u>	<u>156,010</u>	<u>124,570</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>479,672</u>
-	-	3,682	-	-	-	13,304	103,730
-	-	3,682	-	-	-	13,304	103,730
29,719	7,973	328,429	-	23,575	831	178,504	966,410
61,657	82,215	-	82,677	-	-	-	542,827
-	-	-	-	-	-	-	44,725
<u>91,376</u>	<u>90,188</u>	<u>328,429</u>	<u>82,677</u>	<u>23,575</u>	<u>831</u>	<u>178,504</u>	<u>1,553,962</u>
<u>\$ 139,721</u>	<u>\$ 90,642</u>	<u>\$ 488,121</u>	<u>\$ 207,247</u>	<u>\$ 23,575</u>	<u>\$ 831</u>	<u>\$ 191,808</u>	<u>\$ 2,137,364</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, 2018

	Transient Room Tax Fund	Recreation Reserve Fund	Municipal Court Fund	Miscellaneous Special Revenue Fund	Community Center Fund	Christmas Express Fund
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transient room taxes	897,420	-	-	-	-	-
Charges for services	-	-	-	29,783	95,463	-
Intergovernmental	22,500	-	-	-	-	-
Fines and forfeitures	-	-	179,874	-	-	-
Rental income	-	-	-	-	-	-
Contributions	-	-	-	-	-	15,851
Interest on investments	545	-	93	1,107	92	63
Miscellaneous	-	-	-	-	5,420	-
TOTAL REVENUES	<u>920,465</u>	<u>-</u>	<u>179,967</u>	<u>30,890</u>	<u>100,975</u>	<u>15,914</u>
EXPENDITURES						
Current:						
General government	-	-	176,106	36,150	-	-
Public safety	-	-	-	-	-	14,458
Culture and recreation	-	-	-	-	201,991	-
Economic development	194,983	-	-	-	-	-
Capital outlay	-	5,000	-	-	-	-
Debt service	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>194,983</u>	<u>5,000</u>	<u>176,106</u>	<u>36,150</u>	<u>201,991</u>	<u>14,458</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>725,482</u>	<u>(5,000)</u>	<u>3,861</u>	<u>(5,260)</u>	<u>(101,016)</u>	<u>1,456</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	90,965	-
Transfers out	(700,055)	-	(17,423)	(456,145)	(32,743)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(700,055)</u>	<u>-</u>	<u>(17,423)</u>	<u>(456,145)</u>	<u>58,222</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	25,427	(5,000)	(13,562)	(461,405)	(42,794)	1,456
FUND BALANCE, Beginning	<u>345,739</u>	<u>78,420</u>	<u>26,377</u>	<u>733,801</u>	<u>45,166</u>	<u>24,757</u>
FUND BALANCE, Ending	<u>\$ 371,166</u>	<u>\$ 73,420</u>	<u>\$ 12,815</u>	<u>\$ 272,396</u>	<u>\$ 2,372</u>	<u>\$ 26,213</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	2017 FF&C TPA Fund	Bonded Debt Fund	Totals
\$ -	\$ -	\$ 125,166	\$ -	\$ -	\$ -	\$ 319,636	\$ 444,802
-	-	-	-	-	-	-	897,420
-	619	-	-	-	-	-	125,865
22,300	4,572	-	1,496,408	-	-	-	1,545,780
-	14,367	-	-	-	-	-	194,241
-	1,630	-	-	-	-	-	1,630
4,055	535	82	-	-	-	-	20,523
221	217	-	694	24,588	-	-	27,620
-	-	-	-	-	-	-	5,420
<u>26,576</u>	<u>21,940</u>	<u>125,248</u>	<u>1,497,102</u>	<u>24,588</u>	<u>-</u>	<u>319,636</u>	<u>3,263,301</u>
-	-	-	-	-	-	-	212,256
26,173	-	-	-	-	-	-	40,631
-	3,009	-	-	-	-	-	205,000
-	-	246,946	-	-	-	-	441,929
-	-	864,597	2,132,730	-	-	-	3,002,327
-	-	93,021	-	-	-	657,786	750,807
<u>26,173</u>	<u>3,009</u>	<u>1,204,564</u>	<u>2,132,730</u>	<u>-</u>	<u>-</u>	<u>657,786</u>	<u>4,652,950</u>
<u>403</u>	<u>18,931</u>	<u>(1,079,316)</u>	<u>(635,628)</u>	<u>24,588</u>	<u>-</u>	<u>(338,150)</u>	<u>(1,389,649)</u>
13,015	-	1,500,000	37,000	-	-	334,786	1,975,766
-	-	-	-	(1,500,000)	-	-	(2,706,366)
<u>13,015</u>	<u>-</u>	<u>1,500,000</u>	<u>37,000</u>	<u>(1,500,000)</u>	<u>-</u>	<u>334,786</u>	<u>(730,600)</u>
13,418	18,931	420,684	(598,628)	(1,475,412)	-	(3,364)	(2,120,249)
<u>77,958</u>	<u>71,257</u>	<u>(92,255)</u>	<u>681,305</u>	<u>1,498,987</u>	<u>831</u>	<u>181,868</u>	<u>3,674,211</u>
<u>\$ 91,376</u>	<u>\$ 90,188</u>	<u>\$ 328,429</u>	<u>\$ 82,677</u>	<u>\$ 23,575</u>	<u>\$ 831</u>	<u>\$ 178,504</u>	<u>\$ 1,553,962</u>

See auditor's report.

**CITY OF HERMISTON, OREGON
BALANCE SHEET
COMBINED EOTEC OPERATIONS FUND
June 30, 2018**

	EOTEC Operations Fund	EOTEC General Fund	Combined EOTEC Operations Fund
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 55,743	\$ 177,617	\$ 233,360
Investments	-	-	-
Receivables:			
Accounts, net	355,500	-	355,500
Advances to other funds	<u>-</u>	<u>21,479</u>	<u>21,479</u>
Total assets	<u>\$ 411,243</u>	<u>\$ 199,096</u>	<u>\$ 610,339</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 73,455	\$ -	\$ 73,455
Deposits	21,283	-	21,283
Advances from other funds	<u>21,479</u>	<u>-</u>	<u>21,479</u>
Total liabilities	<u>116,217</u>	<u>-</u>	<u>116,217</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	<u>345,500</u>	<u>-</u>	<u>345,500</u>
Total deferred inflows of resources	<u>345,500</u>	<u>-</u>	<u>345,500</u>
FUND BALANCES (DEFICIT)			
Restricted	<u>(50,474)</u>	<u>199,096</u>	<u>148,622</u>
Total fund balances	<u>(50,474)</u>	<u>199,096</u>	<u>148,622</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 411,243</u>	<u>\$ 199,096</u>	<u>\$ 610,339</u>

See auditor's report.

CITY OF HERMISTON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
COMBINED EOTEC OPERATIONS FUND
For the Fiscal Year Ended June 30, 2018

	EOTEC Operations Fund	EOTEC General Fund	Combined EOTEC Operations Fund
REVENUES			
Transient room taxes	\$ -	\$ 86,651	\$ 86,651
Charges for services	73,265	78,118	151,383
Intergovernmental	-	180,000	180,000
Contributions	10,000	94,775	104,775
Interest on investments	64	3,380	3,444
Miscellaneous	-	81	81
TOTAL REVENUES	<u>83,329</u>	<u>443,005</u>	<u>526,334</u>
EXPENDITURES			
Current:			
Culture and recreation	230,033	435,997	666,030
Debt service	-	258,816	258,816
TOTAL EXPENDITURES	<u>230,033</u>	<u>694,813</u>	<u>924,846</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(146,704)</u>	<u>(251,808)</u>	<u>(398,512)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	96,230	-	96,230
TOTAL OTHER FINANCING SOURCES (USES)	<u>96,230</u>	<u>-</u>	<u>96,230</u>
NET CHANGE IN FUND BALANCE	(50,474)	(251,808)	(302,282)
FUND BALANCE, Beginning, as restated (see note 9)	<u>-</u>	<u>450,904</u>	<u>450,904</u>
FUND BALANCE, Ending	<u>\$ (50,474)</u>	<u>\$ 199,096</u>	<u>\$ 148,622</u>

See auditor's report.

BUDGETARY COMPARISON SCHEDULES

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

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

CITY OF HERMISTON, OREGON
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL, BY DEPARTMENT
GENERAL FUND
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
EXPENDITURES				
City Council	\$ 61,260	\$ 61,260	\$ 55,027	\$ 6,233
Manager/Planning	493,310	493,310	471,724	21,586
Finance	127,210	127,210	121,124	6,086
Legal Counsel	85,250	115,250	113,767	1,483
Court	439,285	439,285	421,911	17,374
Transportation	274,300	274,300	244,876	29,424
Airport	237,120	237,120	230,689	6,431
Building Inspections	381,910	381,910	371,202	10,708
Parks	496,120	496,120	490,602	5,518
Parks/Utility Landscaping	43,975	43,975	43,315	660
Municipal Pool	417,140	417,140	412,064	5,076
Municipal Buildings	124,240	124,240	90,649	33,591
Library	789,530	789,530	739,618	49,912
Recreation	679,995	709,245	688,241	21,004
Public Safety Center	89,400	89,400	75,783	13,617
Police Operations	4,777,705	4,859,274	4,655,866	203,408
Non-Departmental	679,255	847,360	844,986	2,374
Non-Departmental Capital Outlay	5,000	8,000	7,586	414
Transfers Out	530,390	1,101,555	1,150,518	(48,963)
Contingency	1,756,860	1,201,130	-	1,201,130
TOTAL EXPENDITURES	<u>\$ 12,489,255</u>	<u>\$ 12,816,614</u>	<u>\$ 11,229,548</u>	<u>\$ 1,587,066</u>

See auditor's report.

BUDGETARY COMPARISON SCHEDULES

Governmental Funds

Governmental Budgetary Comparison schedules included the following:

- **Special Revenue Funds**
 - Transient Room Tax
 - Recreation Reserve
 - Municipal Court
 - Miscellaneous Special Revenue
 - Community 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
 - EOTEC Construction
- **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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Transient room taxes	\$ 704,700	\$ 715,200	\$ 897,420	\$ 182,220
Intergovernmental	-	21,775	22,500	725
Interest on investments	-	-	545	545
TOTAL REVENUES	<u>704,700</u>	<u>736,975</u>	<u>920,465</u>	<u>183,490</u>
EXPENDITURES				
Current:				
Economic development:				
Materials and services	<u>205,000</u>	<u>237,275</u>	<u>194,983</u>	<u>42,292</u>
TOTAL EXPENDITURES	<u>205,000</u>	<u>237,275</u>	<u>194,983</u>	<u>42,292</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>499,700</u>	<u>499,700</u>	<u>725,482</u>	<u>225,782</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(539,410)</u>	<u>(539,410)</u>	<u>(700,055)</u>	<u>(160,645)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(539,410)</u>	<u>(539,410)</u>	<u>(700,055)</u>	<u>(160,645)</u>
NET CHANGE IN FUND BALANCE	(39,710)	(39,710)	25,427	65,137
FUND BALANCE, Beginning	<u>135,000</u>	<u>135,000</u>	<u>345,739</u>	<u>210,739</u>
FUND BALANCE, Ending	<u>\$ 95,290</u>	<u>\$ 95,290</u>	<u>\$ 371,166</u>	<u>\$ 275,876</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
EXPENDITURES				
Capital outlay	\$ -	\$ 33,000	\$ 5,000	\$ 28,000
TOTAL EXPENDITURES	-	33,000	5,000	28,000
REVENUES OVER (UNDER) EXPENDITURES	-	(33,000)	(5,000)	28,000
OTHER FINANCING SOURCES (USES)				
Interfund loan proceeds	15,000	15,000	15,000	-
TOTAL OTHER FINANCING SOURCES (USES)	15,000	15,000	15,000	-
NET CHANGE IN FUND BALANCE	15,000	(18,000)	10,000	28,000
Budgetary basis adjustment	-	-	(15,000)	(15,000)
FUND BALANCE, Beginning	53,000	53,000	78,420	25,420
FUND BALANCE, Ending	<u>\$ 68,000</u>	<u>\$ 35,000</u>	<u>\$ 73,420</u>	<u>\$ 38,420</u>

See auditor's report.

CITY OF HERMISTON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
MUNICIPAL COURT FUND
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Fines and forfeitures	\$ 246,900	\$ 246,900	\$ 179,874	\$ (67,026)
Interest on investments	-	-	93	93
TOTAL REVENUES	<u>246,900</u>	<u>246,900</u>	<u>179,967</u>	<u>(66,933)</u>
EXPENDITURES				
Current:				
General government:				
Materials and services	<u>238,900</u>	<u>238,900</u>	<u>176,106</u>	<u>62,794</u>
TOTAL EXPENDITURES	<u>238,900</u>	<u>238,900</u>	<u>176,106</u>	<u>62,794</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>8,000</u>	<u>8,000</u>	<u>3,861</u>	<u>(4,139)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(21,200)</u>	<u>(21,200)</u>	<u>(17,423)</u>	<u>3,777</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(21,200)</u>	<u>(21,200)</u>	<u>(17,423)</u>	<u>3,777</u>
NET CHANGE IN FUND BALANCE	(13,200)	(13,200)	(13,562)	(362)
FUND BALANCE, Beginning	<u>35,000</u>	<u>35,000</u>	<u>26,377</u>	<u>(8,623)</u>
FUND BALANCE, Ending	<u>\$ 21,800</u>	<u>\$ 21,800</u>	<u>\$ 12,815</u>	<u>\$ (8,985)</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 25,000	\$ 25,000	\$ 29,783	\$ 4,783
Interest on investments	-	-	1,107	1,107
TOTAL REVENUES	<u>25,000</u>	<u>25,000</u>	<u>30,890</u>	<u>5,890</u>
EXPENDITURES				
Current:				
General government:				
Materials and services	40,000	40,000	36,150	3,850
TOTAL EXPENDITURES	<u>40,000</u>	<u>40,000</u>	<u>36,150</u>	<u>3,850</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(15,000)</u>	<u>(15,000)</u>	<u>(5,260)</u>	<u>9,740</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(456,145)	(456,145)	(456,145)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(456,145)</u>	<u>(456,145)</u>	<u>(456,145)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(471,145)	(471,145)	(461,405)	9,740
FUND BALANCE, Beginning	<u>471,145</u>	<u>471,145</u>	<u>733,801</u>	<u>262,656</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 272,396</u>	<u>\$ 272,396</u>

See auditor's report.

CITY OF HERMISTON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
COMMUNITY CENTER FUND
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 75,000	\$ 75,000	\$ 95,463	\$ 20,463
Interest on investments	-	-	92	92
Miscellaneous	4,000	4,000	5,420	1,420
TOTAL REVENUES	<u>79,000</u>	<u>79,000</u>	<u>100,975</u>	<u>21,975</u>
EXPENDITURES				
Current:				
Culture and recreation:				
Materials and services	182,885	207,885	201,991	5,894
TOTAL EXPENDITURES	<u>182,885</u>	<u>207,885</u>	<u>201,991</u>	<u>5,894</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(103,885)</u>	<u>(128,885)</u>	<u>(101,016)</u>	<u>27,869</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	104,400	104,400	90,965	(13,435)
Transfers out	(32,743)	(32,743)	(32,743)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>71,657</u>	<u>71,657</u>	<u>58,222</u>	<u>(13,435)</u>
NET CHANGE IN FUND BALANCE	(32,228)	(57,228)	(42,794)	14,434
FUND BALANCE, Beginning	<u>38,350</u>	<u>63,350</u>	<u>45,166</u>	<u>(18,184)</u>
FUND BALANCE, Ending	<u>\$ 6,122</u>	<u>\$ 6,122</u>	<u>\$ 2,372</u>	<u>\$ (3,750)</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Contributions	\$ 15,000	\$ 15,000	\$ 15,851	\$ 851
Interest on investments	-	-	63	63
TOTAL REVENUES	<u>15,000</u>	<u>15,000</u>	<u>15,914</u>	<u>914</u>
EXPENDITURES				
Current:				
Public safety:				
Materials and services	<u>35,000</u>	<u>35,000</u>	<u>14,458</u>	<u>20,542</u>
TOTAL EXPENDITURES	<u>35,000</u>	<u>35,000</u>	<u>14,458</u>	<u>20,542</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(20,000)</u>	<u>(20,000)</u>	<u>1,456</u>	<u>21,456</u>
NET CHANGE IN FUND BALANCE	(20,000)	(20,000)	1,456	21,456
FUND BALANCE, Beginning	<u>24,000</u>	<u>24,000</u>	<u>24,757</u>	<u>757</u>
FUND BALANCE, Ending	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ 26,213</u>	<u>\$ 22,213</u>

See auditor's report.

CITY OF HERMISTON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
LAW ENFORCEMENT FUND
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 7,475	\$ 7,475	\$ 22,300	\$ 14,825
Contributions	-	4,000	4,055	55
Interest on investments	-	-	221	221
TOTAL REVENUES	<u>7,475</u>	<u>11,475</u>	<u>26,576</u>	<u>15,101</u>
EXPENDITURES				
Current:				
Public safety:				
Personnel services	5,000	5,000	5,000	-
Materials and services	15,000	21,500	21,173	327
TOTAL EXPENDITURES	<u>20,000</u>	<u>26,500</u>	<u>26,173</u>	<u>327</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(12,525)</u>	<u>(15,025)</u>	<u>403</u>	<u>15,428</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	16,000	16,000	13,015	(2,985)
TOTAL OTHER FINANCING SOURCES (USES)	<u>16,000</u>	<u>16,000</u>	<u>13,015</u>	<u>(2,985)</u>
NET CHANGE IN FUND BALANCE	3,475	975	13,418	12,443
FUND BALANCE, Beginning	<u>60,000</u>	<u>62,500</u>	<u>77,958</u>	<u>15,458</u>
FUND BALANCE, Ending	<u>\$ 63,475</u>	<u>\$ 63,475</u>	<u>\$ 91,376</u>	<u>\$ 27,901</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 1,500	\$ 1,500	\$ 619	\$ (881)
Intergovernmental	11,195	11,195	4,572	(6,623)
Contributions	2,300	2,300	535	(1,765)
Fines and forfeitures	15,000	15,000	14,367	(633)
Rental income	1,000	1,000	1,630	630
Interest on investments	-	-	217	217
TOTAL REVENUES	<u>30,995</u>	<u>30,995</u>	<u>21,940</u>	<u>(9,055)</u>
EXPENDITURES				
Current:				
Culture and recreation:				
Materials and services	35,260	35,260	3,009	32,251
Capital outlay	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
TOTAL EXPENDITURES	<u>50,260</u>	<u>50,260</u>	<u>3,009</u>	<u>47,251</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(19,265)</u>	<u>(19,265)</u>	<u>18,931</u>	<u>38,196</u>
NET CHANGE IN FUND BALANCE	(19,265)	(19,265)	18,931	38,196
FUND BALANCE, Beginning	<u>32,000</u>	<u>32,000</u>	<u>71,257</u>	<u>39,257</u>
FUND BALANCE, Ending	<u>\$ 12,735</u>	<u>\$ 12,735</u>	<u>\$ 90,188</u>	<u>\$ 77,453</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 132,000	\$ 132,000	\$ 125,166	\$ (6,834)
Contributions	-	-	82	82
TOTAL REVENUES	<u>132,000</u>	<u>132,000</u>	<u>125,248</u>	<u>(6,752)</u>
EXPENDITURES				
Current:				
Economic development:				
Materials and services	108,000	283,000	246,946	36,054
Capital outlay	900,000	900,000	864,597	35,403
Debt service	<u>203,829</u>	<u>203,829</u>	<u>203,827</u>	<u>2</u>
TOTAL EXPENDITURES	<u>1,211,829</u>	<u>1,386,829</u>	<u>1,315,370</u>	<u>71,459</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,079,829)</u>	<u>(1,254,829)</u>	<u>(1,190,122)</u>	<u>64,707</u>
OTHER FINANCING SOURCES (USES)				
Interfund loan proceeds	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>	-
NET CHANGE IN FUND BALANCE	420,171	245,171	309,878	64,707
Budgetary basis adjustment	-	-	110,806	110,806
FUND BALANCE, Beginning	<u>17,350</u>	<u>17,350</u>	<u>(92,255)</u>	<u>(109,605)</u>
FUND BALANCE, Ending	<u>\$ 437,521</u>	<u>\$ 262,521</u>	<u>\$ 328,429</u>	<u>\$ 65,908</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 903,000	\$ 1,502,500	\$ 1,502,044	\$ (456)
Contributions	-	-	28,490	28,490
System development charges	40,000	40,000	77,256	37,256
Interest on investments	35,000	35,000	38,272	3,272
Miscellaneous	-	-	6,565	6,565
TOTAL REVENUES	<u>978,000</u>	<u>1,577,500</u>	<u>1,652,627</u>	<u>75,127</u>
EXPENDITURES				
Current:				
General government:				
Materials and services	751,667	861,167	436,376	424,791
Capital outlay	4,292,905	5,149,583	2,518,394	2,631,189
Contingency	<u>240,289</u>	<u>240,289</u>	-	<u>240,289</u>
TOTAL EXPENDITURES	<u>5,284,861</u>	<u>6,251,039</u>	<u>2,954,770</u>	<u>3,296,269</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(4,306,861)</u>	<u>(4,673,539)</u>	<u>(1,302,143)</u>	<u>3,371,396</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,032,622	1,820,557	1,919,828	99,271
Interfund loan proceeds	-	200,000	-	(200,000)
Interfund loan repayment	<u>(15,000)</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,017,622</u>	<u>2,005,557</u>	<u>1,904,828</u>	<u>(100,729)</u>
NET CHANGE IN FUND BALANCE	(3,289,239)	(2,667,982)	602,685	3,270,667
Budgetary basis adjustment	-	-	15,000	15,000
FUND BALANCE, Beginning	<u>4,341,736</u>	<u>4,365,479</u>	<u>4,952,898</u>	<u>587,419</u>
FUND BALANCE, Ending	<u>\$ 1,052,497</u>	<u>\$ 1,697,497</u>	<u>\$ 5,570,583</u>	<u>\$ 3,873,086</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,314,300	\$ 1,314,300	\$ 1,496,408	\$ 182,108
Interest on investments	-	-	694	694
TOTAL REVENUES	<u>1,314,300</u>	<u>1,314,300</u>	<u>1,497,102</u>	<u>182,802</u>
EXPENDITURES				
Capital outlay	<u>2,084,300</u>	<u>2,210,010</u>	<u>2,132,730</u>	<u>77,280</u>
TOTAL EXPENDITURES	<u>2,084,300</u>	<u>2,210,010</u>	<u>2,132,730</u>	<u>77,280</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(770,000)</u>	<u>(895,710)</u>	<u>(635,628)</u>	<u>260,082</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	37,000	37,000	-
TOTAL OTHER FINANCING SOURCES (USES)	-	37,000	37,000	-
NET CHANGE IN FUND BALANCE	(770,000)	(858,710)	(598,628)	260,082
FUND BALANCE, Beginning	<u>770,000</u>	<u>858,710</u>	<u>681,305</u>	<u>(177,405)</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,677</u>	<u>\$ 82,677</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Interest on investments	\$ -	\$ -	\$ 24,588	\$ 24,588
TOTAL REVENUES	-	-	24,588	24,588
EXPENDITURES				
Capital outlay	1,500,000	1,500,000	1,500,000	-
TOTAL EXPENDITURES	1,500,000	1,500,000	1,500,000	-
REVENUES OVER (UNDER) EXPENDITURES	(1,500,000)	(1,500,000)	(1,475,412)	24,588
NET CHANGE IN FUND BALANCE	(1,500,000)	(1,500,000)	(1,475,412)	24,588
FUND BALANCE, Beginning	1,500,000	1,500,000	1,498,987	(1,013)
FUND BALANCE, Ending	\$ -	\$ -	\$ 23,575	\$ 23,575

See auditor's report.

CITY OF HERMISTON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
2017 FF&C TPA FUND
For the Fiscal Year Ended June 30, 2018

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

See auditor's report.

CITY OF HERMISTON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
EOTEC CONSTRUCTION FUND
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 10,000	\$ 10,000
Contributions	-	-	267,561	267,561
TOTAL REVENUES	-	-	277,561	277,561
EXPENDITURES				
Capital outlay	1,182,825	1,182,825	1,917,615	(734,790)
TOTAL EXPENDITURES	1,182,825	1,182,825	1,917,615	(734,790)
REVENUES OVER (UNDER) EXPENDITURES	(1,182,825)	(1,182,825)	(1,640,054)	(457,229)
NET CHANGE IN FUND BALANCE	(1,182,825)	(1,182,825)	(1,640,054)	(457,229)
FUND BALANCE, Beginning, as restated (see note 9)	1,182,825	1,182,825	1,640,054	457,229
FUND BALANCE, Ending	\$ -	\$ -	\$ -	\$ -

See auditor's report.

CITY OF HERMISTON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
BONDED DEBT FUND
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 328,000	\$ 328,000	\$ 319,636	\$ (8,364)
TOTAL REVENUES	<u>328,000</u>	<u>328,000</u>	<u>319,636</u>	<u>(8,364)</u>
EXPENDITURES				
Debt service	<u>2,021,540</u>	<u>2,021,540</u>	<u>2,021,511</u>	<u>29</u>
TOTAL EXPENDITURES	<u>2,021,540</u>	<u>2,021,540</u>	<u>2,021,511</u>	<u>29</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,693,540)</u>	<u>(1,693,540)</u>	<u>(1,701,875)</u>	<u>(8,335)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>1,698,540</u>	<u>1,698,540</u>	<u>1,698,511</u>	<u>(29)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,698,540</u>	<u>1,698,540</u>	<u>1,698,511</u>	<u>(29)</u>
NET CHANGE IN FUND BALANCE	5,000	5,000	(3,364)	(8,364)
FUND BALANCE, Beginning	<u>180,000</u>	<u>180,000</u>	<u>181,868</u>	<u>1,868</u>
FUND BALANCE, Ending	<u>\$ 185,000</u>	<u>\$ 185,000</u>	<u>\$ 178,504</u>	<u>\$ (6,496)</u>

See auditor's report.

BUDGETARY COMPARISON SCHEDULES

Proprietary Funds

Enterprise Funds

- Energy Operations
 - Energy Services
 - 2016 FF&C Electric
- Utility Operations
 - Utility
 - 2017 FF&C Sewer and Water
 - Revenue Bonded Debt
- 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, 2018

	Energy Services Fund	2016 FF&C Electric Fund	Total Energy Operations
REVENUES			
Charges for services	\$ 8,854,864	\$ -	\$ 8,854,864
Interest on investments	<u>20,514</u>	<u>64,770</u>	<u>85,284</u>
TOTAL REVENUES	<u>8,875,378</u>	<u>64,770</u>	<u>8,940,148</u>
EXPENDITURES			
Current:			
Personal services	286,443	-	286,443
Materials and services	7,345,738	1,200	7,346,938
Capital outlay	<u>1,015,312</u>	<u>2,216,556</u>	<u>3,231,868</u>
TOTAL EXPENDITURES	<u>8,647,493</u>	<u>2,217,756</u>	<u>10,865,249</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>227,885</u>	<u>(2,152,986)</u>	<u>(1,925,101)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	4,000	-	4,000
Transfers out	<u>(1,570,520)</u>	<u>-</u>	<u>(1,570,520)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,566,520)</u>	<u>-</u>	<u>(1,566,520)</u>
NET CHANGE IN FUND BALANCE	(1,338,635)	(2,152,986)	(3,491,621)
FUND BALANCE, Beginning	<u>4,047,691</u>	<u>4,185,052</u>	<u>8,232,743</u>
FUND BALANCE, Ending	<u>\$ 2,709,056</u>	<u>\$ 2,032,066</u>	4,741,122
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES			
Prepaid items			2,398
Capital assets, net of depreciation			14,482,589
Deferred amounts on refunding			200,248
Deferred outflows - pension			102,615
Deferred outflows - OPEB			1,064
Deferred inflows - pension			(16,983)
Deferred inflows - OPEB			(959)
Accrued interest payable			(38,795)
Net pension liability			(255,628)
Other post employment benefits liability			(9,437)
Long-term debt			<u>(15,772,173)</u>
NET POSITION, Ending			<u>\$ 3,436,061</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 8,492,200	\$ 8,492,200	\$ 8,854,864	\$ 362,664
Interest on investments	25,000	25,000	20,514	(4,486)
TOTAL REVENUES	<u>8,517,200</u>	<u>8,517,200</u>	<u>8,875,378</u>	<u>358,178</u>
EXPENDITURES				
Current:				
Personnel services	291,625	291,625	286,443	5,182
Materials and services	6,847,490	6,847,490	7,345,738	(498,248)
Capital outlay	1,253,745	1,253,745	1,015,312	238,433
Contingency	1,986,570	1,986,570	-	1,986,570
TOTAL EXPENDITURES	<u>10,379,430</u>	<u>10,379,430</u>	<u>8,647,493</u>	<u>1,731,937</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,862,230)</u>	<u>(1,862,230)</u>	<u>227,885</u>	<u>2,090,115</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	4,000	4,000	4,000	-
Transfers out	(1,570,520)	(1,570,520)	(1,570,520)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,566,520)</u>	<u>(1,566,520)</u>	<u>(1,566,520)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(3,428,750)	(3,428,750)	(1,338,635)	2,090,115
FUND BALANCE, Beginning	<u>3,428,750</u>	<u>3,428,750</u>	<u>4,047,691</u>	<u>618,941</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,709,056</u>	<u>\$ 2,709,056</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Interest on investments	\$ -	\$ -	\$ 64,770	\$ 64,770
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>64,770</u>	<u>64,770</u>
EXPENDITURES				
Current:				
Materials and services	-	-	1,200	(1,200)
Capital outlay	<u>3,700,000</u>	<u>3,700,000</u>	<u>2,216,556</u>	<u>1,483,444</u>
TOTAL EXPENDITURES	<u>3,700,000</u>	<u>3,700,000</u>	<u>2,217,756</u>	<u>1,482,244</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(3,700,000)</u>	<u>(3,700,000)</u>	<u>(2,152,986)</u>	<u>1,547,014</u>
NET CHANGE IN FUND BALANCE	(3,700,000)	(3,700,000)	(2,152,986)	1,547,014
FUND BALANCE, Beginning	<u>3,700,000</u>	<u>3,700,000</u>	<u>4,185,052</u>	<u>485,052</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,032,066</u>	<u>\$ 2,032,066</u>

See auditor's report.

CITY OF HERMISTON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
UTILITY OPERATIONS COMBINED
For the Fiscal Year Ended June 30, 2018

	Utility Fund	2017 FF&C Sewer and Water Fund	Revenue Bonded Debt Fund	Total Utility Operations
REVENUES				
Charges for services	\$ 5,813,489	\$ -	\$ -	\$ 5,813,489
Interest on investments	4,527	19,301	-	23,828
Miscellaneous	1,748	-	-	1,748
TOTAL REVENUES	<u>5,819,764</u>	<u>19,301</u>	<u>-</u>	<u>5,839,065</u>
EXPENDITURES				
Current:				
Sewer	1,947,657	-	-	1,947,657
Water	1,885,784	-	-	1,885,784
Capital outlay	35,000	719,101	-	754,101
Debt service	-	-	1,826,676	1,826,676
TOTAL EXPENDITURES	<u>3,868,441</u>	<u>719,101</u>	<u>1,826,676</u>	<u>6,414,218</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>1,951,323</u>	<u>(699,800)</u>	<u>(1,826,676)</u>	<u>(575,153)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	80,000	-	1,826,676	1,906,676
Transfers out	(2,197,482)	-	-	(2,197,482)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,117,482)</u>	<u>-</u>	<u>1,826,676</u>	<u>(290,806)</u>
NET CHANGE IN FUND BALANCE	(166,159)	(699,800)	-	(865,959)
FUND BALANCE, Beginning	<u>1,087,977</u>	<u>1,894,754</u>	<u>-</u>	<u>2,982,731</u>
FUND BALANCE, Ending	<u>\$ 921,818</u>	<u>\$ 1,194,954</u>	<u>\$ -</u>	<u>2,116,772</u>
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Prepaid items				30,322
Capital assets, net of depreciation				41,974,532
Deferred outflows - OPEB				820,856
Deferred outflows - OPEB				9,852
Deferred inflows - pension				(135,851)
Deferred inflows - OPEB				(10,772)
Accrued interest payable				(213,435)
Compensated absences				(91,918)
Net pension liability				(2,044,875)
Other post employment benefits liability				(122,252)
Long-term debt				<u>(26,956,377)</u>
NET POSITION, Ending				<u>\$ 15,376,854</u>

See auditor's report.

CITY OF HERMISTON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
UTILITY FUND
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 5,906,365	\$ 5,926,115	\$ 5,813,489	\$ (112,626)
Interest on investments	2,500	2,500	4,527	2,027
Miscellaneous	20,000	20,000	1,748	(18,252)
TOTAL REVENUES	<u>5,928,865</u>	<u>5,948,615</u>	<u>5,819,764</u>	<u>(128,851)</u>
EXPENDITURES				
Sewer	2,000,660	2,090,472	1,982,657	107,815
Water	1,850,590	2,025,340	1,885,784	139,556
TOTAL EXPENDITURES	<u>3,851,250</u>	<u>4,115,812</u>	<u>3,868,441</u>	<u>247,371</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>2,077,615</u>	<u>1,832,803</u>	<u>1,951,323</u>	<u>118,520</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	80,000	80,000	80,000	-
Transfers out	(2,197,575)	(2,197,575)	(2,197,482)	93
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,117,575)</u>	<u>(2,117,575)</u>	<u>(2,117,482)</u>	<u>93</u>
NET CHANGE IN FUND BALANCE	(39,960)	(284,772)	(166,159)	118,613
FUND BALANCE, Beginning	<u>787,000</u>	<u>996,812</u>	<u>1,087,977</u>	<u>91,165</u>
FUND BALANCE, Ending	<u>\$ 747,040</u>	<u>\$ 712,040</u>	<u>\$ 921,818</u>	<u>\$ 209,778</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Interest on investments	\$ -	\$ -	\$ 19,301	\$ 19,301
TOTAL REVENUES	-	-	19,301	19,301
EXPENDITURES				
Capital outlay	3,000,000	3,200,000	719,101	2,480,899
TOTAL EXPENDITURES	3,000,000	3,200,000	719,101	2,480,899
REVENUES OVER (UNDER) EXPENDITURES	(3,000,000)	(3,200,000)	(699,800)	2,500,200
NET CHANGE IN FUND BALANCE	(3,000,000)	(3,200,000)	(699,800)	2,500,200
FUND BALANCE, Beginning	3,000,000	3,200,000	1,894,754	(1,305,246)
FUND BALANCE, Ending	\$ -	\$ -	\$ 1,194,954	\$ 1,194,954

See auditor's report.

CITY OF HERMISTON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
REVENUE BONDED DEBT FUND
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
EXPENDITURES				
Debt service	\$ 1,826,768	\$ 1,826,768	\$ 1,826,676	\$ 92
TOTAL EXPENDITURES	<u>1,826,768</u>	<u>1,826,768</u>	<u>1,826,676</u>	<u>92</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,826,768)</u>	<u>(1,826,768)</u>	<u>(1,826,676)</u>	<u>92</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,826,768	1,826,768	1,826,676	(92)
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,826,768</u>	<u>1,826,768</u>	<u>1,826,676</u>	<u>(92)</u>
FUND BALANCE, Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See auditor's report.

CITY OF HERMISTON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
REGIONAL WATER FUND
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 762,265	\$ 762,265	\$ 718,187	\$ (44,078)
Interest on investments	-	-	676	676
Miscellaneous	-	1,254,000	1,063,494	(190,506)
TOTAL REVENUES	<u>762,265</u>	<u>2,016,265</u>	<u>1,782,357</u>	<u>(233,908)</u>
EXPENDITURES				
Current:				
Personnel services	203,050	216,335	209,411	6,924
Materials and services	536,110	1,839,110	1,782,151	56,959
Contingency	758,105	709,105	-	709,105
TOTAL EXPENDITURES	<u>1,497,265</u>	<u>2,764,550</u>	<u>1,991,562</u>	<u>772,988</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(735,000)</u>	<u>(748,285)</u>	<u>(209,205)</u>	<u>539,080</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	8,000	8,000	8,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>8,000</u>	<u>8,000</u>	<u>8,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(727,000)	(740,285)	(201,205)	539,080
FUND BALANCE, Beginning	<u>727,000</u>	<u>740,285</u>	<u>556,788</u>	<u>(183,497)</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	355,583	<u>\$ 355,583</u>
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Prepaid items			2,505	
Capital assets, net of depreciation			7,476,474	
Deferred outflows - pension			88,644	
Deferred outflows - OPEB			971	
Deferred inflows - pension			(14,671)	
Deferred inflows - OPEB			(949)	
Net pension liability			(220,822)	
Other post employment benefits liability			(9,974)	
NET POSITION, Ending			<u>\$ 7,677,761</u>	

See auditor's report.

STATISTICAL SECTION

STATISTICAL SECTION

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

FINANCIAL TRENDS

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$ 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	\$ 31,874,245
Restricted	-	1,464,314	3,008,653	2,600,026	2,576,299	1,721,429	2,238,796	2,210,641	2,645,719	4,398,893
Unrestricted	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	433,032
Total governmental activities net position	\$ 17,999,231	\$ 18,944,603	\$ 20,006,816	\$ 20,357,418	\$ 23,322,045	\$ 23,745,026	\$ 23,461,537	\$ 26,532,544	\$ 26,253,269	\$ 36,706,170
Business-type activities										
Net investment in capital assets	\$ 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	\$ 24,632,313
Restricted	-	-	-	-	-	4,766,504	910,400	-	-	-
Unrestricted	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	1,858,363
Total business-type activities net position	\$ 18,472,854	\$ 19,891,849	\$ 21,272,589	\$ 22,347,568	\$ 22,448,599	\$ 22,444,949	\$ 25,061,981	\$ 27,417,979	\$ 25,569,129	\$ 26,490,676
Primary government										
Net investment in capital assets	\$ 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	\$ 54,642,174
Restricted	-	1,464,314	3,008,653	2,600,026	2,576,299	6,487,933	3,149,196	2,210,641	2,645,719	4,398,893
Unrestricted	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	4,155,779
Total primary government net position	\$ 36,472,085	\$ 38,836,452	\$ 41,279,405	\$ 42,704,986	\$ 45,770,644	\$ 46,189,975	\$ 48,523,518	\$ 53,950,523	\$ 51,822,398	\$ 63,196,846

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

Expenses	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities:										
General government	\$ 2,738,726	\$ 2,143,638	\$ 2,119,150	\$ 2,074,334	\$ 2,380,875	\$ 2,235,974	\$ 2,228,173	\$ 3,163,574	\$ 2,871,501	\$ 3,339,591
Public safety	3,500,312	3,354,236	3,296,096	3,577,922	4,018,606	4,206,167	3,435,296	6,245,648	5,309,128	5,539,752
Highways and streets	1,152,628	1,069,663	946,193	961,303	1,011,422	1,137,768	900,581	1,333,965	1,119,273	1,405,178
Economic development	93,848	129,900	15,500	-	-	-	77,207	82,723	309,524	441,929
Culture and recreation	2,566,970	2,526,414	2,471,410	2,546,523	2,740,214	2,574,869	3,314,985	4,850,208	2,625,972	4,590,328
Interest on long-term debt	148,356	147,203	145,981	144,209	68,386	79,275	164,052	158,589	174,004	274,552
Total governmental activities expenses	10,200,840	9,371,054	8,994,330	9,304,291	10,219,503	10,234,053	10,120,294	15,834,707	12,409,402	15,591,330
Business-type activities:										
Water	2,565,373	2,404,046	2,776,865	3,021,393	2,427,322	2,958,897	2,407,687	3,640,686	3,765,539	3,962,160
Sewer	1,689,890	1,471,120	1,407,654	1,424,785	1,686,417	1,839,835	1,932,688	3,456,671	4,538,393	3,130,807
Electric Operations	6,270,607	6,562,822	6,600,863	6,852,679	7,081,396	7,484,555	7,380,813	7,663,289	7,863,889	8,061,520
Total business-type activities expenses	10,525,870	10,437,988	10,785,382	11,298,857	11,195,135	12,283,287	11,721,188	14,760,646	16,167,821	15,154,487
Total primary government expenses	\$ 20,726,710	\$ 19,809,042	\$ 19,779,712	\$ 20,603,148	\$ 21,414,638	\$ 22,517,340	\$ 21,841,482	\$ 30,595,353	\$ 28,577,223	\$ 30,745,817
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 1,013,349	\$ 987,958	\$ 665,312	\$ 551,825	\$ 635,560	\$ 846,514	\$ 593,195	\$ 612,955	\$ 644,829	\$ 623,338
Public Safety	681,836	825,617	819,888	762,125	827,126	777,567	911,960	952,067	776,501	809,235
Cultural and recreation	405,375	617,699	638,879	673,172	701,662	618,789	699,689	646,763	578,159	823,542
Economic development	-	-	-	-	-	-	195,851	320,511	289,107	534,812
Operating grants and contributions	225,092	231,061	503,157	93,004	91,517	92,624	1,160,072	1,621,506	1,723,329	1,806,494
Capital grants and contributions	1,194,254	236,413	199,858	376,926	401,383	673,801	3,025,502	8,620,793	835,737	4,481,709
Total governmental activities program revenues	3,519,906	2,898,748	2,827,094	2,457,052	2,657,248	3,009,295	6,586,269	12,774,595	4,847,662	9,079,130
Business-type activities:										
Charges for services:										
Water	2,572,545	2,824,003	2,759,962	2,767,568	2,948,154	3,065,357	3,375,433	3,631,599	3,528,905	3,938,030
Sewer	1,564,185	1,702,048	1,831,485	1,839,470	1,865,292	1,925,266	2,125,495	2,231,320	2,424,033	2,588,829
Electricity	7,462,325	7,346,110	7,331,855	7,269,150	7,184,651	7,363,082	7,397,090	8,124,700	8,582,818	8,854,864
Capital grants and contributions	-	-	-	-	-	-	185,549	1,638,740	-	1,063,494
Total business-type activities program revenues	11,599,055	11,872,161	11,923,302	11,876,188	11,998,097	12,353,705	13,083,567	15,626,359	14,535,756	16,445,217
Total primary government program revenues	\$ 15,118,961	\$ 14,770,909	\$ 14,750,396	\$ 14,333,240	\$ 14,655,345	\$ 15,363,000	\$ 19,669,836	\$ 28,400,954	\$ 19,383,418	\$ 25,524,347
Net (expense)/revenue										
Governmental activities	(6,680,934)	(6,472,306)	(6,167,236)	(6,847,239)	(7,562,255)	(7,224,758)	(3,534,025)	(3,060,112)	(7,561,740)	(6,512,200)
Business-type activities	1,073,185	1,434,173	1,137,920	577,331	802,962	70,418	1,362,379	865,713	(1,632,065)	1,290,730
Total primary government net expense	\$ (5,607,749)	\$ (5,038,133)	\$ (5,029,316)	\$ (6,269,908)	\$ (6,759,293)	\$ (7,154,340)	\$ (2,171,646)	\$ (2,194,399)	\$ (9,193,805)	\$ (5,221,470)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	4,436,803	4,766,382	4,793,881	4,869,851	4,938,762	4,961,148	5,228,716	5,324,750	5,452,002	5,923,273
Franchise fee and transient room taxes	508,594	412,427	389,756	396,169	384,155	409,002	929,148	972,207	1,209,024	1,518,744
Public service taxes	1,427,722	1,467,929	1,620,174	1,822,732	1,897,998	2,189,440	467,937	-	-	-
Interest on investment earnings	52,759	10,873	14,570	4,109	21,485	130,246	87,699	85,479	53,797	76,779
Change in joint venture net position	-	-	-	-	845,921	(98,357)	54,909	-	-	-
Other revenues	618,458	578,011	439,541	464,493	552,843	227,062	185,408	112,643	204,440	396,412
Gain (loss) on disposal of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers	(214,228)	182,056	(28,473)	(359,513)	864,438	(34,068)	1,065,243	(404,760)	363,202	324,231
Total governmental activities	\$ 6,830,108	\$ 7,417,678	\$ 7,229,449	\$ 7,197,841	\$ 9,505,602	\$ 7,784,473	\$ 8,019,060	\$ 6,090,319	\$ 7,282,465	\$ 8,239,439
Business-type activities:										
Interest on investment earnings	56,744	21,272	18,027	7,079	10,648	40,595	76,640	58,851	21,418	109,788
Other revenues	67,273	145,606	196,320	131,056	151,859	217,916	141,668	118,975	-	-
Transfers	214,228	(182,056)	28,473	359,513	(864,438)	34,068	(1,065,243)	404,760	(363,202)	(324,231)
Extraordinary items	-	-	-	-	-	-	-	-	-	-
Total business-type activities	338,245	(15,178)	242,820	497,648	(701,931)	292,579	(846,935)	580,586	(341,784)	(214,443)
Total primary government	\$ 7,168,353	\$ 7,402,500	\$ 7,472,269	\$ 7,695,489	\$ 8,803,671	\$ 8,077,052	\$ 7,172,125	\$ 6,670,905	\$ 6,940,681	\$ 8,024,996
Change in Net Position										
Governmental activities	149,174	945,372	1,062,213	350,602	1,943,347	559,715	4,485,035	3,030,207	(279,275)	1,727,239
Business-type activities	1,411,430	1,418,995	1,380,740	1,074,979	101,031	362,997	515,444	1,448,299	(1,973,849)	1,076,287
Total primary government	\$ 1,560,604	\$ 2,364,367	\$ 2,442,953	\$ 1,425,581	\$ 2,044,378	\$ 922,712	\$ 5,000,479	\$ 4,478,506	\$ (2,253,124)	\$ 2,803,526

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General fund	*	*								
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 140,838	\$ 30,031
Restricted	-	-	-	-	-	-	-	-	82,415	82,415
Assigned	-	-	55,000	-	1,859,278	1,502,800	1,553,269	207,250	-	-
Unassigned	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	3,300,157
Total general fund	\$ 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	\$ 3,412,603
All other governmental funds										
Reserved	\$ -	\$ 21,366	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	3,971,670	4,086,817	-	-	-	-	-	-	-	-
Debt service funds	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	4,316,478
Committed	-	-	1,560,134	1,940,657	3,818,631	5,178,081	6,097,014	5,237,009	5,332,394	3,546,055
Assigned	-	-	-	-	-	-	-	-	42,051	44,725
Unassigned	-	-	-	-	-	-	-	-	(92,255)	-
Total all other governmental funds	\$ 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	\$ 7,907,258
Total all funds	\$ 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	\$ 11,319,861

* 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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Taxes	\$ 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	\$ 5,926,552
Transient room tax	339,377	363,115	364,064	413,789	441,185	588,111	515,452	558,871	782,067	984,071
Licenses & franchise fees	513,764	417,007	395,146	401,519	388,510	413,657	413,696	413,336	421,448	534,674
Charges for services	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	1,956,274
Intergovernmental	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	5,227,069
Fines and forfeits	676,666	821,037	703,996	650,872	718,828	666,095	802,025	838,433	644,588	644,247
Investment interest	52,759	10,873	14,455	4,109	21,485	130,246	87,699	85,479	53,797	76,780
Miscellaneous	2,037,804	1,045,485	1,137,166	934,423	1,043,797	992,713	3,144,751	6,784,708	350,195	961,443
Total revenues	10,494,827	10,117,677	10,075,947	9,989,371	10,490,142	11,002,322	13,506,623	17,444,317	12,086,625	16,311,110
Expenditures										
General government	\$ 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	\$ 3,176,898
Public safety	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	5,006,134
Highways and streets	813,932	715,241	611,728	580,281	618,522	733,546	635,584	689,398	660,187	1,059,168
Economic development	93,848	129,900	15,500	-	-	-	77,207	82,723	411,483	441,929
Culture and recreation	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	3,208,489
Capital outlay	1,688,420	284,884	376,545	681,704	864,410	1,033,467	4,124,944	7,820,601	3,884,238	7,791,443
Debt service										
Principle	40,000	45,000	45,000	55,000	60,000	135,000	330,000	335,000	340,000	723,386
Interest	148,439	147,309	145,981	144,363	72,907	96,085	183,523	177,635	171,590	286,237
Total expenditures	11,081,560	8,890,005	8,575,590	9,160,243	10,199,978	10,594,021	13,855,643	18,459,313	15,022,009	21,693,684
Excess of revenues over (under) expenditures	(586,733)	1,227,672	1,500,357	829,128	290,164	408,301	(349,020)	(1,014,996)	(2,935,384)	(5,382,574)
Transfers in	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	5,354,989
Transfers out	(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)	(4,217,098)
Change in joint venture fund balance	-	-	-	-	1,492,582	(195,218)	-	-	-	-
Issuance of debt	-	-	-	-	-	-	-	-	3,595,000	-
Bond premium	-	-	-	-	-	-	-	-	119,939	-
Total other financing sources (uses)	(214,228)	182,056	(28,473)	(359,513)	2,357,020	(229,286)	2,059,544	(271,667)	4,252,272	1,137,891
Net change in fund balances	\$ (800,961)	\$ 1,409,728	\$ 1,471,884	\$ 469,615	\$ 2,647,184	\$ 179,015	\$ 1,710,524	\$ (1,286,663)	\$ 1,316,888	\$ (4,244,683)
Debt service as a percentage of non-capital expenditures ((Debt/Other Exp)-Capital Additions)	2.01%	2.23%	2.33%	2.35%	1.42%	2.42%	3.82%	3.52%	3.79%	7.33%

REVENUE CAPACITY

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

Fiscal Year Ended June 30	Real Property	Personal Property	Public Utilities	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
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%
2018	908,387,673	53,982,515	37,046,460	999,416,648	6.86	1,187,064,794	84.19%

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, 2018**

	Fiscal Year Ended June 30, 2018									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Direct rates										
City of Hermiston - general	6.09	6.09	6.09	6.09	6.09	6.09	6.09	6.09	6.09	6.09
City of Hermiston - bond	0.34	0.30	0.30	0.38	0.40	0.35	0.46	0.51	0.52	0.48
Hermiston Urban Renewal District	0.43	0.43	0.43	0.43	-	-	-	-	-	-
Total direct rates	<u>6.86</u>	<u>6.82</u>	<u>6.82</u>	<u>6.90</u>	<u>6.49</u>	<u>6.44</u>	<u>6.55</u>	<u>6.60</u>	<u>6.61</u>	<u>6.57</u>
Overlapping rates										
Umatilla County	2.85	2.85	3.04	3.03	3.06	3.10	3.11	3.11	3.11	3.11
Hermiston School District #8	9.00	8.94	8.97	9.02	9.02	9.01	8.98	9.12	9.26	7.40
Intermountain E.S.D.	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.56	0.56	0.56
Blue Mountain Community College	0.66	0.66	0.66	0.66	0.95	0.96	0.96	0.97	0.97	0.96
Port of Umatilla	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15
Hermiston Cemetery District #8	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09
Hermiston Fire and Emergency Services District #7-404	1.75	1.75	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	0.17	-	-	-
West Umatilla Mosquito Control District	0.29	0.29	0.28	0.24	0.38	0.29	0.29	0.29	0.34	0.25
Total overlapping rates	<u>15.58</u>	<u>15.52</u>	<u>15.18</u>	<u>15.18</u>	<u>15.64</u>	<u>15.59</u>	<u>15.57</u>	<u>15.49</u>	<u>15.68</u>	<u>13.72</u>
Total Rates	<u>22.44</u>	<u>22.34</u>	<u>22.00</u>	<u>22.08</u>	<u>22.13</u>	<u>22.03</u>	<u>22.12</u>	<u>22.09</u>	<u>22.29</u>	<u>20.29</u>

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

	2009			2018		
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	4.50%	32,234,180	1	3.83%
PIONEER HI BRED			0.00%	15,040,700	2	1.79%
CHARTER COMMUNICATIONS			0.00%	10,449,600	3	1.24%
TETON VENTURE LLC & TRIUMPH PROPERTY			0.00%	8,745,030	4	1.04%
WAL-MART REAL ESTATE BUSINESS TRU			0.00%	8,600,990	5	1.02%
WAL-MART/SAMS CLUB -BPP USO6037			0.00%	8,755,520	6	1.04%
CENTURYLINK			0.00%	7,678,000	7	0.91%
CMH MANUFACTURING WEST, INC	7,687,350	4	1.10%	6,556,698	8	0.78%
UMATILLA ELECTRIC CO-OP ASSN	6,217,480	9	0.90%	7,193,860	9	0.85%
CDS HERMISTON, LLC	4,357,380	10	0.60%	5,850,280	10	0.70%
HD DEVELOPMENT OF MARYLAND, INC	9,327,880	2	1.30%			0.00%
RETAIL TRUST #2	8,765,260	3	1.20%	-		0.00%
HERMISTON STATION, LLC	7,372,690	5	1.00%	-		0.00%
U.S. WEST COMMUNICATIONS	6,597,600	6	0.90%	-		0.00%
WAL-MART DISTRIBUTION CENTER #6037	6,623,090	7	0.90%	-		0.00%
HERMISTON FOODS LLC	6,309,720	8	0.90%	-		0.00%
Totals	95,235,510		13.30%	111,104,858		13.20%

Source: Umatilla County Assessment and Taxation

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

Tax Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in subsequent years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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%	352,278	4,938,783	100.0%
2012	4,997,696	4,641,447	92.9%	359,104	4,998,848	100.0%
2013	5,035,471	4,719,222	93.7%	297,058	5,016,280	99.6%
2014	5,073,454	4,760,155	93.8%	146,824	4,906,979	96.7%
2015	5,351,320	5,024,002	93.9%	144,359	5,168,361	96.6%
2016	5,454,892	5,145,592	94.3%	121,128	5,266,720	96.6%
2017	5,502,153	5,180,279	94.2%	103,593	5,283,872	96.0%
2018	6,049,818	5,685,934	94.0%	-	5,685,934	94.0%

DEBT CAPACITY

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

Fiscal Year	Governmental Activities			Business - Type Activities			Other Notes	Total Primary Government	Percentage of Personal Income	Per Capita	Population
	General Obligation Bonds	Notes Payable	Revenue Bonds	Refunding Bonds	Notes Payable						
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	
2018	8,256,706	491,614	23,742,978	-	18,985,572	-	51,476,870	N/A	2862	17,985	

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)
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
2018	8,256,706	178,504	8,078,202	0.81%	449	17,985	999,416,648

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			Bond Debt Service		
	Utility Charges	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
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
2018	5,808,672	3,878,286	1,930,386	235,000	288,607	3.69

Fiscal Year	Electric			Bond Debt Service		
	Utility Charges	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
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	-	628,805	2.60
2018	8,854,864	7,118,702	1,736,162	590,000	480,520	1.62

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, 2018

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Amount Applicable to the City
Umatilla County	\$ 809,862	15.11%	\$ 122,370
Umatilla County School District #8 (Hermiston)	79,963,373	43.73%	34,965,264
Umatilla County School District #61 (Stanfield)	3,145,927	10.06%	316,331
Port of Umatilla	669,574	15.11%	101,177
East Umatilla RFPD	105,000	35.18%	36,934
Blue Mountain Community College	28,890,000	8.54%	2,465,906
Umatilla RFPD 7-405	<u>1,820,000</u>	33.17%	<u>603,765</u>
Total overlapping debt	<u>115,403,736</u>		<u>38,611,747</u>
City direct debt	<u>8,256,706</u>	100.00%	<u>8,256,706</u>
Total direct and overlapping debt	<u>\$ 123,660,442</u>		<u>\$ 46,868,453</u>

Source: State of Oregon, Debt Management Division

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

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

True Cash Value (1)	\$ 1,187,064,794
	x 3%
General Obligation Debt Limit (2)	35,611,944
Gross bonded debt subject to limitation	1,795,000
Legal debt margin available for future indebtedness	\$ 33,816,944
Total net debt applicable to the limit as a percentage of debt limit	5.31%

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
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%
2018	1,187,064,794	35,611,944	1,795,000	\$ 33,816,944	5.31%

Sources:

(1) From Umatilla County Assessment and Taxation

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

DEMOGRAPHIC AND ECONOMIC INFORMATION

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

Fiscal Year	Population (1)	Umatilla County Per Capita Income	Total Personal Income	Unemployment Rate Umatilla County (2)
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%
2018	17,985	*	*	4.6%

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**

Employer	2018			2009		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Con-Agra Foods	1,600	1	12.70%	1000	2	8.10%
Wal-Mart Distribution	900	2	8.25%	800	4	6.50%
Good Shepherd Medical Center	630	3	5.75%	465	7	3.80%
Hermiston School District	520	4	4.50%	450	8	3.60%
Union Pacific Railroad	500	5	3.90%	300	10	2.40%
Shearers	360	6	3.10%	N/A		N/A
Wal-Mart Supercenter	400	7	3.50%	400	9	3.20%
River Point Farms	300	8	2.85%	650	6	5.20%
Agri Northwest	285	9	2.70%	N/A		N/A
Swaggart Brothers	225	10	2.25%	N/A		N/A
	<u>5,720</u>		<u>49.50%</u>	<u>4,065</u>		<u>32.80%</u>

Source:
 Hermiston Chamber of Commerce

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

Full-time Equivalent Employees as of December 31										
Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government	11.2	6.5	5.89	7.97	8.17	9.66	9.52	10.72	10.77	11.44
Public Safety	35	33	33	36	35.1	35.5	30.5	30.5	30.5	30.5
Highways and streets	6.3	5.6	5.83	5.34	5.65	6.33	6.47	5.33	5.33	6.69
Culture and recreation	27.5	23.5	27.3	28.72	24.95	23.8	23	23.5	23.5	25.5
Water	10.7	10	9.92	10.62	10.66	10.59	10.63	10.63	10.63	11.18
Sewer	11.4	11	8.59	11.28	11.62	11.26	11.3	11.3	11.3	10.85
Electric	2.4	2.4	2.54	2.33	2.31	2.38	2.31	2.31	2.31	2.32
Total	104.5	92	93.07	102.26	98.46	99.52	93.73	94.29	94.34	98.48

Source: City Administration Department

OPERATING INFORMATION

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

Function/Program	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
General Government										
Number of Senior Citizen Taxi Program										
Tickets Sold	32,976 **	32,073 **	31,108 **	30,234 **	30,706 **	30,306 **	27,095 **	21,336 **	16,066 **	19,133 **
Number of building inspections										
Public Safety										
Total Police Incidents	36,841	33,621	27,085	26,149	24,114	23,878	23,237	23,193	20,587	23,916
Officer initiated	22,869	19,893	12,283	10,476	9,335	9,160	13,205	13,097	10,457	12,570
Calls for police services	13,972	13,728	14,802	15,673	14,779	14,718	10,032	10,096	10,130	11,346
Number of traffic stops	8,177	6,397	4,778	4,932	5,113	4,227	6,596	6,699	4,595	5,384
Highways and streets										
Estimated miles of streets swept	6,800	5,237	6,200	4,964	3,205	3,301	3,541	3,486	3,506	3,506
Cultural and recreation										
Number of library items checked out	102,527	100,412	86,997	84,388	83,791	82,195	80,327	67,243	68,738	92,134
Number of library patrons	10,217	8,773	9,565	10,462	11,064	12,700	9,279	10,447	10,991	11,911
Business-type activities										
Water										
Number of accounts	4,495	4,543	4,707	4,751	4,801	4,828	4,912	5,001	5,000	5,221
Annual consumption (in billions of gallons)	3,513	3,729	3,377	2,605	2,900	3,529	2,638	3,261	1,764	1,448
Sewer										
Number of accounts	4,604	4,428	4,449	4,504	4,540	4,585	4,665	4,736	4,801	4,885
Electricity										
Number of accounts	5,266	5,296	5,263	5,291	5,337	5,171	5,189	5,277	5,317	5,335
KWH sold	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	107,442,249

Notes:

Source: City Departments

** No longer Tracking information

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

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
General government										
Administrative buildings	2	2	2	2	2	2	2	2	2	2
Public Safety										
Police Stations	1	1	1	1	1	1	1	1	1	1
Patrol units										
Car	13	11	12	15	13	11	10	10	11	11
Bus	-	-	-	-	-	-	-	-	-	-
Motorcycles	2	2	2	2	2	1	1	1	1	1
Highways and streets										
Streets (miles)	60	62	62	62	64	64	73	73	73	74
Culture and recreation										
Library Collections:										
Printed materials	34,121	34,973	35,578	35,714	34,716	33,361	33,457	35,229	35,476	30,930
Audio materials	2,607	1,665	1,813	1,768	1,547	1,610	1,670	1,765	1,803	1,598
Video materials	1,759	1,707	1,961	1,734	1,725	1,782	1,733	2,082	1,955	1,929
Electronic materials	3,451	3,451	3,412	3,451	3,451	3,452	3,452	32,984	68,879	72,483
Business-type activities										
Water										
Miles of city water line	68	69	69	69	76	76	77	77	77	77
Miles of regional water system water line	14	14	14	14	14	17	17	17	17	17
City wells	6	6	6	6	6	5	5	5	5	5
Sewer										
Storm water pump stations	*	*	*	3	3	3	3	3	3	3
sewage pump stations	8	8	8	8	8	8	9	9	9	8
Clarifiers/sludge storage	4	4	4	4	4	4	4	5	5	5
Gravity thickeners	2	1	1	1	1	1	1	-	-	-
Electric										
Miles of overhead line	37	37	37	37	37	37	37	158	158	158
Miles of underground line	26	27	28	28	28	28	28	28	29	29
Transformers	1,667	1,321	1,381	1,397	1,359	1,415	1,435	1,834	1,472	1,893

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

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

	Actual 2015	Actual 2016	Actual 2017	Actual 2018	Budgeted 2019
Revenues					
Taxes	4,917,591	5,021,221	5,167,756	5,481,750	5,595,000
Licenses & Franchises	787,034	822,166	847,815	1,094,565	921,300
Fines & Penalties	583,178	583,006	450,653	450,006	530,000
Use of City Money	42,077	45,719	22,958	5,199	30,000
From Other Agencies	499,937	442,492	585,466	636,087	569,430
Service Charges	1,659,546	1,455,283	1,433,221	1,743,742	1,633,000
Non-Revenue Receipts	-	89,334	1,500	91,458	37,000
Miscellaneous Revenues	134,855	105,912	198,094	292,676	135,000
Interfund Transfers	-	710,651	789,814	743,274	458,200
Interfund Loan Proceeds	-	55,000	160,491	111,429	11,166
Cash Forward	4,611,338	4,813,537	4,709,051	4,102,771	3,736,314
Total Revenues	13,235,556	14,144,321	14,366,819	14,752,957	13,656,410
Expenditures					
City Council	21,893	30,797	60,354	55,027	62,260
Manager/Planning	331,667	403,542	441,466	471,724	554,280
Finance	51,753	53,195	75,940	121,124	134,080
Legal Counsel	183,697	188,271	88,231	113,767	141,900
Court	224,058	245,564	416,905	421,911	433,025
Transportation	159,853	132,586	240,555	244,876	259,300
Airport	198,687	203,558	177,944	245,689	291,870
Building Inspections	323,763	337,484	358,449	371,202	421,810
Parks	433,530	452,403	471,883	490,602	671,115
Parks/Utility Landscaping	-	24,622	21,123	43,315	46,080
Municipal Pool	387,450	376,766	349,886	412,064	408,395
Municipal Buildings	10,740	10,166	16,255	90,649	134,895
Library	593,812	642,882	663,355	739,618	795,320
Recreation	416,732	507,756	531,450	688,241	656,550
Community Center	90,900	-	-	-	142,060
Harkenrider Center	-	-	-	-	43,390
Public Safety Center	81,042	104,056	70,629	75,783	87,500
Police Operations	3,959,634	4,149,418	4,351,520	4,655,866	5,026,300
Non-departmental	1,040,575	1,682,205	1,768,941	1,988,090	3,346,280
Interfund Loan	165,000	90,000	100,000	-	-
Unappropriated Balance	-	-	-	-	-
Total Expenditures	8,674,786	9,635,271	10,204,886	11,229,548	13,656,410

LARGEST CUSTOMERS OF THE WATER SYSTEM 2018

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
2018	4,732	393	5,125	2018	1,448	Hermiston Foods-Norpac	Food Processing	106,681,600	7.36%	123,425	4.16%
2017	4,613	387	5,000	2017	1,784	Good Shepherd Medical	Medical	36,385,200	2.51%	25,178	0.85%
2016	4,531	390	4,921	2016	3,261	Village Park	Mobile Home Park	24,720,700	1.71%	51,664	1.74%
2015	4,523	389	4,912	2015	2,638	Chateaubri Mobile Home Park	Mobile Home Park	10,880,200	0.75%	25,823	0.87%
2014	4,439	384	4,823	2014	2,679	Viewcrest Apartment	Apartments	7,572,000	0.52%	21,990	0.74%
2013	4,415	381	4,796	2013	1,473	Five Star Auto Wash	Car Wash	7,318,300	0.51%	9,624	0.32%
2012	4,363	383	4,746	2012	1,444	Able Farms RV Park	RV Park	6,868,700	0.47%	8,244	0.28%
2011	4,321	381	4,702	2011	2,140	Aspens Apts	Apartments	6,045,800	0.42%	14,732	0.50%
						Pioneer RV Park	RV Park	5,944,400	0.41%	7,237	0.24%
						Sundial Apts	Apartments	5,758,300	0.40%	19,655	0.66%
								218,175,200	15.06%	307,572	10.95%

(1) Consumption in gallons, rounded to nearest hundred, based on 2018 water consumption. Total consumption for 2018 was 1,448,645,700.

(2) Based on 2018 audited Water System total operating revenue of \$3,943,720

(3) Hermiston Foods Inc, a wholly owned subsidiary of Norpac Foods, operates a \$10 million processing plant within the City boundaries. The plant processes peas, dry beans, carrots, and similar vegetable crops. The plant is a state of the art facility which began operations in 1990.

**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	10/1/2017	3/1/2018	
First 3,000 gallons (minimum charge)	15.24	15.85	16.48	17.14	17.14	18.00	18.9	19.82	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	1.37	1.43	1.5	2014 8%
Each 1,000 gallons over 13,000 gallons	0.96	1.00	1.03	1.08	1.08	1.13	1.19	1.25	2015 8%
									2017 5%
									2018 10%

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 2018

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						
2018	4,492	393	Good Shepherd	Medical	9,964,800	6.32%	14,433	0.65%
2017	4,414	387	Five Star Auto Wash	Car Wash	7,110,400	4.51%	11,535	0.52%
2016	4,346	390	Panda Inn	Restraunt	4,743,500	3.01%	7,046	0.32%
2015	4,276	389	Emeritus Corporation	Assisted Living	4,394,900	2.79%	6,535	0.29%
2014	4,201	384	Wal-Mart D.C.	Distribution Center	4,079,500	2.59%	6,122	0.28%
2013	4,159	381	Good Shepherd Medical Grp	Medical	4,025,000	2.55%	6,010	0.27%
2012	4,121	383	Regency	Assisted Living	3,729,100	2.36%	5,600	0.25%
2011	4,068	381	Safeway Stores	Retail	3,256,600	2.07%	4,964	0.22%
			Sandstone MS	School	3,244,100	2.06%	5,072	0.23%
			Armand Larive	School	3,138,900	1.99%	4,773	0.21%
					47,686,800	30.24%	72,090	3.39%

(1) Consumption in gallons, rounded to nearest hundred, based on 2018 water consumption. Total consumption for 2018 was 157,696,000.

(2) Based on 2018 audited Sewer System total operating revenue of \$2,587,955.

**City of Hermiston
Sewer Rates and Charges**

Consumption	Sewer Rates Effective as of								RECENT HISTORICAL SEWER RATE CHANGES		
	07/01/10	01/01/14	07/01/14	01/01/15	07/01/15	07/01/16	07/01/17	10/01/17	3/1/2018	Year	Sewer
Dwelling units - monthly flat rate	20.14	20.95	21.78	22.65	23.56	23.56	24.74	25.97	27.25	2010	9%
Motel units - per-month unit charge	12.79	13.30	13.83	14.39	14.96	14.96	15.71	16.49	17.3	2014	8%
gallons	21.93	22.81	23.72	24.67	25.65	25.65	26.93	28.28	29.66	2015	8%
Plus: per 1,000 gallons of water thereaft	1.11	1.15	1.20	1.25	1.30	1.30	1.37	1.43	1.5	2017	5%
										2018	10%

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

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

City of Hermiston

1,187,064,794

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

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

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

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

City of Hermiston

1,070,438,667

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

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

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

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

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

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

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

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

City of Hermiston 986,977,008

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

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

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

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

City of Hermiston 935,091,901

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

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

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

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

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

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

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

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

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

**REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

BARNETT & MORO, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

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

GERALD J. MORO, C.P.A. EMERITUS

INDEPENDENT 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, 2018, and have issued our report thereon dated December 6, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

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

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

In connection with our testing nothing came to our attention that caused us to believe City of Hermiston, Oregon was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except for: 1) the expenditures in excess of appropriations listed in the Notes to the Required Supplementary Information.

OAR 162-10-0230 Internal Control

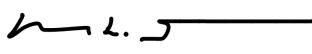
In planning and performing our audit, we considered City of Hermiston, Oregon's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Barnett & Moro, P.C.

By: 

Richard L. Stoddard, Shareholder
Hermiston, Oregon
December 6, 2018

**CITY OF HERMISTON, OREGON
SINGLE AUDIT REPORT**

FOR THE YEAR ENDED JUNE 30, 2018

**City of Hermiston, Oregon
Single Audit Report**

TABLE OF CONTENTS

	Page
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Independent Auditor's Report on Compliance For Each Major Federal Program, on Internal Control Over Compliance, And on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.....	3
Schedule of Expenditures of Federal Awards	5
Notes to the Schedule of Expenditures of Federal Awards	6
Schedule of Findings and Questioned Costs	7

BARNETT & MORO, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

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

GERALD J. MORO, C.P.A. EMERITUS

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

Mayor and City Council
City of Hermiston, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2018, and the related notes to the financial statements, which collectively comprise City of Hermiston, Oregon's basic financial statements, and have issued our report thereon dated December 6, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Barnett & Moro, P.C.



Richard L. Stoddard, Shareholder
December 6, 2018

BARNETT & MORO, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

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

GERALD J. MORO, C.P.A. EMERITUS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

Mayor and City Council
City of Hermiston, Oregon

Report on Compliance for Each Major Federal Program

We have audited City of Hermiston, Oregon's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Hermiston, Oregon's major federal programs for the year ended June 30, 2018. City of Hermiston, Oregon's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Hermiston, Oregon's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Hermiston, Oregon's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Hermiston, Oregon's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Hermiston, Oregon, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

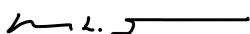
Management of City of Hermiston, Oregon, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Hermiston, Oregon’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Hermiston, Oregon’s internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Barnett & Moro, P.C.



Richard L. Stoddard, Shareholder
December 6, 2018

**CITY OF HERMISTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Federal Grantor / Program Name</u>	<u>Federal CFDA Number</u>	<u>Major Program</u>	<u>Grant Number</u>	<u>Amount</u>
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>				
<u>Passed through Oregon Department of Education</u>				
<u>Child Nutrition Cluster</u>				
Summer Food Service Program for Children	10.559		Not Available	\$ 33,894
Total Child Nutrition Cluster				33,894
<u>U.S. DEPARTMENT OF JUSTICE:</u>				
<u>Direct program:</u>				
Bulletproof Vest Partnership Program	16.607		2016 Regular Fund	\$ 1,044
Bulletproof Vest Partnership Program	16.607		2017 Regular Fund	1,071
				\$ 2,115
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
<u>Federal Aviation Administration</u>				
Airport Improvement Program	20.106		3-41-0024-009-2015	149,699
Airport Improvement Program	20.106		3-41-0024-010-2017	146,322
Airport Improvement Program	20.106		3-41-0024-011-2018	3,066
				299,087
<u>Passed through Oregon Department of Transportation</u>				
<u>Highway Safety Cluster</u>				
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601		Not Available	4,189
Total Highway Safety Cluster				4,189
Total U.S. Dept of Transportation				303,276
<u>U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT</u>				
<u>Passed through Oregon Infrastructure Finance Authority</u>				
Community Development Block Grants	14.228	x	C14013	1,483,555
<u>GENERAL SERVICES ADMINISTRATION</u>				
<u>Passed through Oregon Department of Administrative Services</u>				
Acquisition Value of Federal Surplus Property	39.003		Not Available	225
<u>EXECUTIVE OFFICE OF THE PRESIDENT</u>				
<u>Passed through City of Pendleton, Oregon</u>				
High Intensity Drug Trafficking Area	95.001		Not Available	8,713
				\$ 1,831,778

CITY OF HERMISTON, OREGON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2018

Note 1. General

The accompanying schedule of expenditures of federal awards (the Schedule) presents the activity of all federal financial assistance programs of the City of Hermiston, Oregon for the year ended June 30, 2018.

Note 2. Significant Accounting Policies

Reporting Entity: The reporting entity is fully described in Note 1.A to the City of Hermiston's basic financial statements.

Basis of Presentation: The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

For new awards or modifications of existing awards after December 26, 2014, the expenditures reported in the Schedule follow the cost principles contained in the Uniform Guidance. For existing awards prior to December 26, 2014, the expenditures follow the cost principles contained in OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The costs principles indicate that certain types of expenditures are not allowable or are limited as to reimbursement. Expenditures reported on the Schedule are reported on the accrual basis of accounting.

Note 3. Indirect Cost Rate

The City of Hermiston did not elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4. Subrecipients

There were no amounts paid to subrecipients by the City of Hermiston from federal funds for the year ended June 30, 2018.

CITY OF HERMISTON, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2018

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(s) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal Control over major federal programs:

Material weakness(es) identified? Yes No

Significant deficiency (s) identified that are Not considered to be material weaknesses? Yes None reported

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? Yes No

Identification of Major Federal Programs:

CFDA Number	Name of Federal Program or Cluster
14.228	Community Development Block Grant

Dollar threshold used to distinguish between Type A Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

CITY OF HERMISTON, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2018

SECTION II – Financial Statement Findings

None reported.

SECTION III – Federal Awards Findings and Questioned Costs

None reported.

Section IV – Schedule of Prior Federal Award Findings, Audit Findings and Questioned Costs for the Years Ended June 30, 2018

2017-001

Condition and criteria:

Good accounting controls require that employees with access to cash not also record the transactions in the accounting records. Because of the small number of City staff, the employee collecting utility billing proceeds is also responsible for recording collections and adjustments to the utility receivable records. This lack of separation of accounting duties increases the possibility that cash will be lost. Employees with no cash handling responsibilities should reconcile daily cash received, cash posting and adjustment posting, to the receivable records as an offsetting control.

Recommendation:

We recommend that the City regularly evaluate the job duties of employees for proper separation of accounting duties and cash handling duties.

Current status:

The City added additional procedures including reconciliations of cash receipts, posting and receivables as well as monitoring adjustments to customer accounts. This condition has been corrected.