

**CITY OF HERMISTON, OREGON**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended**

**June 30, 2011**

**Prepared by the Department of Finance**

**CITY OF HERMISTON, OREGON**

**June 30, 2011**

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June 30, 2011

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**June 30, 2011**

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## **INTRODUCTORY SECTION**

**CITY OF HERMISTON, OREGON**

**List of Principal Officials**

**June 30, 2011**

**ELECTED OFFICIALS**

Term Expires

Mayor:

Robert E. Severson

December 31, 2012

Council Members:

Rod S. Hardin

December 31, 2012

Lori Davis

December 31, 2014

Brian Misner

December 31, 2012

Michael E. Calame

December 31, 2012

Jackie C. Myers

December 31, 2014

Joe Harn

December 31, 2012

Harmon Springer

December 31, 2014

Frank J. Harkenrider

December 31, 2014

Municipal Judge:

Thomas J. Creasing

December 31, 2012

**APPOINTED OFFICIALS**

City Manager:

Edward Brookshier

Assistant City Manager:

C. Ray Jones

Finance Director/City Recorder:

Robert D. Irby

Chief of Police:

Daniel Coulombe

Water Superintendent:

Roy Bicknell

Wastewater Superintendent:

Bill Schmittle

Library Director:

Marie L. Baldo

City Attorney:

Gary Luisi

Street Superintendent:

Ron Sivey

HES Superintendent:

Russell Dorran

Building Official:

Chuck Woolsey

Parks & Recreation Director:

Ivan Anderholm

City Planner:

Clint Spencer

**OFFICIAL ADDRESS**

180 N.E. Second Street

Hermiston, OR 97838

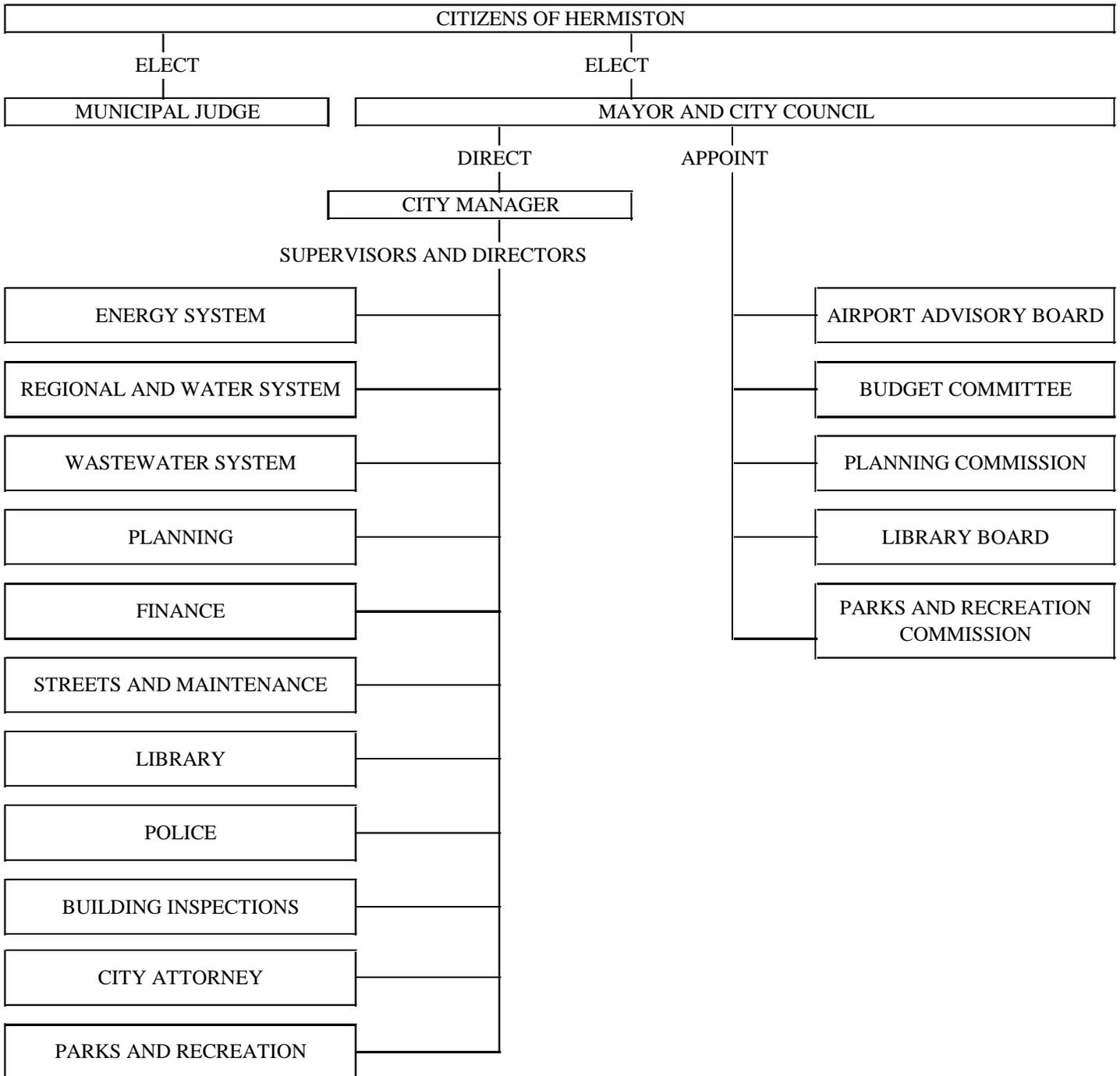
Telephone: 541-567-5521

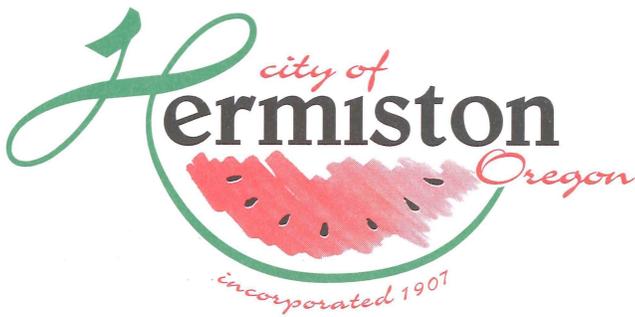
Fax: 541-567-5530

**CITY OF HERMISTON, OREGON**

**Organizational Chart**

**June 30, 2011**





*Administrative Offices*  
180 N.E. 2nd Street  
Hermiston, OR 97838-1860  
Phone (541) 567-5521 · Fax (541) 567-5530  
E-mail: [city@hermiston.or.us](mailto:city@hermiston.or.us)

September 27, 2011

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, 2011, 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 are 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 are 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 & 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 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 west of Pendleton and 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, I82 (north-south) and I84 (east-west). It offers Union Pacific's Hinkle Rail Yard to the south and the Port of Umatilla's barge loading facilities to the north. Hermiston owns its own airport to complete this hub of commercial and industrial transportation. Hermiston's other municipal facilities include a modern public safety center, housing police and municipal court; Hermiston Community Center, a regional conference and convention center; public works building; wastewater treatment plant; public library; twelve city parks encompassing 114 acres, and water and sewer utilities. There are approximately 78 full-time city employees. In the 1960s, the voters approved the mayor/council-manager form of government. The eight councilors, mayor and a municipal judge are elected, and the council hires a city manager as its administrator.

The City provides a full range of services. These services include police protection; sanitation services; the construction and maintenance of highways, streets, and infrastructure; recreational activities and cultural events. In addition to general government activities, the City operates electricity, water, and sewer utility systems.

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

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

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

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

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

**ECONOMIC CONDITIONS AND OUTLOOK**

A labor market economist for the State of Oregon speaks of Hermiston as "one of the most desirable sites for industrial development in the Pacific Northwest" because of its low land costs, large inventory of industrially zoned land, reasonable local taxes and excellent access to transportation routes. The citizens and government of Hermiston boast a progressive, growth oriented philosophy that encourages new business to locate here, and have established city services for a population of 30,000. Current estimated population is 16,795.

Recent years have seen the ongoing expansion of medical services with expansions at the Good Shepherd Medical Center, construction of the Columbia Professional Medical Plaza, dialysis treatments center, the Yakima Farm Workers Clinic completed in 2008 and the newly completed Motion Orthopedic Center built in 2009 as well as other independent medical providers making the community a regional medical center. The past several years have seen expansion of the retail Wal-Mart store into a super store complex, construction of regional and national retailers such as Home Depot, Office Max and Big Five Sports, and the recently completed \$3 million Dollar Fiesta Foods facility which opened in July 2009, plans for additional motel space as well as numerous other retail businesses. A recent MapInfo Analysis of the City stated, "...Hermiston serves a fairly expansive trade based upon its ability to draw customers from southeastern Washington due to the sales tax differential, excellent access via I-82 and I-84 and high quality of life."

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, 1.2 million square foot Wal-Mart Distribution center, \$3.5 million food distribution center of the Church of Jesus Christ of Latter Day Saints. 2009 saw the completion of the \$25 million dollar Pioneer HiBred Seed processing facility as well as a multi million dollar expansion in early 2010 that included the North American Research and Development center for Pioneer HiBred. This aggressive building program by this company will add significant new jobs, offer expanded special grower contracts to area farmers, further diversifying area agricultural production opportunities as well as other warehousing, cold storage and logistics oriented businesses. Hermiston is located one truck day away from seven western states and two Canadian provinces. Located at the intersection of two Interstate freeways makes the community ideally suited for companies moving products to the western states region. Expansion of the Marlette Mobile home plant was recently completed. The municipal airport received an \$800,000 overlay improvement in the fall of 2008, Blue Mountain Community College west campus expansion was recently completed as was construction of Umatilla County's West end Justice Center. The community has shown a steady population growth over the past decade.

Situated in an arid section of Oregon, Hermiston's existence has always necessarily been connected to water. The two original town sites that were to become Hermiston sprang up following the creation of Hermiston Irrigation District in 1905. This was the first flood irrigation project built by the Bureau of Reclamation.

The town of Hermiston was incorporated in 1907, named after a character in a book being written by Robert Louis Stevenson at the time. Hermiston had its own locally owned bank, built a Carnegie Library and thrived as an agricultural center for several decades. Its population increased dramatically with the construction of the Umatilla Army Ordinance Depot in the 1940s and McNary Dam and the Hinkle Rail Yard in the 1950s.

## Citizens of the City of Hermiston

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 16,795 in 2011.

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

Hermiston School District has five elementary schools, two middle schools, one senior high school, one alternative school, and one ESD office. With 5,200 students, it is the largest school district in Eastern Oregon, and with 480 employees, the third largest employer in Hermiston. Hermiston's District 8R will open three new replacement school facilities at an approximate cost of \$63.3 million in 2011. Additionally Blue Mountain Community College with a satellite campus in Hermiston offers advanced education opportunities and 2011 will see the completion of the \$8.5 million Eastern Oregon Higher Education Center in Hermiston expanding the ability of area residents to complete Baccalaureate and Master level programs with on site classroom and laboratory facilities in Hermiston.

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; Olympic size swimming pool; jogging trails; bicycle lanes; sites for tennis, soccer, horseshoes, miniature golf and all kinds of ball leagues; and golf courses in three neighboring towns. Environmental areas include twelve city parks encompassing 114 acres, Umatilla Wildlife Refuge, Hat Rock State Park and Cold Springs Reservoir.

Culturally, Hermiston is the scene for varied performances at the junior and senior high auditoriums, including events sponsored by the Desert Arts Council, and Eastern Oregon Symphony. There are eight movie theaters and a roller rink. Hermiston boasts more than 150 organizations, including service clubs such as Rotary, Kiwanis and Altrusa, and fraternal organizations such as the Elks, Eagles and Moose. Hermiston also has a modern public library.

Hermiston is served by the 911 emergency system, a well trained police force, county deputy sheriffs and the Oregon State Police. The City has its own municipal court and a circuit court presides locally as well.

Medical care is based in a modern hospital, supported by medical clinics housing a variety of specialists. Ambulance service is provided by the fire district. There are optometric, dental, chiropractic and mental health services available.

Lamb Weston, a subsidiary of ConAgra, Golden Valley Microwave, has a \$15 million potato processing plant in the Hermiston area which employs approximately 800 people. There are seven potato fresh-pack sheds and a flaking plant. Schearers Foods will expand their chip processing facility with a \$25 million dollar processing line expansion in 2011 adding to their expanding work force.

## Citizens of the City of Hermiston

Hermiston Foods Incorporated, a wholly owned subsidiary of Norpac Foods, operates a \$10 million processing plant within the boundaries of Hermiston. The plant employs over 250 individuals and seasonally processes peas, dry beans, carrots, and similar vegetable crops. The plant is a state of the art facility which began operations in 1990. Pendleton Grain Growers operates a \$1.5 million feed mill just south of the City; there are also several large feed lot operations in the area.

Major employers outside the food processing industry include Johns-Manville, Marlette Homes, Wal-Mart Distribution Center and Portland General Electric. Johns-Manville constructed a \$4 million polyvinylchloride pipe plant in the Port of Umatilla Industrial Park five miles north of Hermiston. This plant employs approximately 50 people. Marlette Homes, is located within the City and employs approximately 225 people. Marlette has completed a \$1.5 million plant expansion which has doubled plant capacity. Portland General Electric has constructed a coal-fired electrical generating plant at Carty Reservoir, approximately 25 miles west of Hermiston. Wal-Mart operates a \$75 million, 1.2 million square foot distribution center which employs approximately 1,000 workers and transfers merchandise to about 400 trucks daily.

The Church of Jesus Christ of Latter Day Saints constructed their “Bishop’s Central Storehouse” here in Hermiston which is a \$3.5 million facility. This storehouse serves the church’s needs in the Pacific Northwest.

Four shopping centers are within the City. The shopping facilities in Hermiston serve approximately 50,000 people in the Umatilla and Morrow counties. State of Washington residents also shop here due to the non-sales tax in the State of Oregon.

The Hermiston region is expecting considerable economic and employment growth. The \$567,000,000 Umatilla Army Depot incineration project is expected to operate for several years.

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

The City is building a wastewater recycling plant as part of improving its wastewater treatment facilities. No construction contracts have been awarded. The City plans to request construction proposals in 2011. The estimated total cost of this multi-year project is \$27,000,000. The City expended \$1,770,000 on this project during the year ended June 30, 2010 bringing total expenditures so far on this project to \$6,235,000. The City is planning to sell bonds to finance this project. Completion of the project is expected in 2013.

The City anticipates continuing efforts to improve and develop its streets, parks and recreation facilities.

**Goals:** The City utilizes a formalized goal setting approach with goals established every two years. The current goals, adopted by the City Council, include:

1. Superior Public Safety Services
2. Advance Development of Transportation Facilities
3. Advance Development of Water and Sewer Facilities
4. Promote Economic and Community Development; Improve Quality of Life
5. Recognize Importance of Basic Human Values; Maintain a Civil Society

Citizens of the City of Hermiston

### FINANCIAL POLICIES

The City maximizes its yield on short-term/low risk investments by pooling the cash of all funds. The City's idle cash is invested primarily in U.S. Treasury securities and bank demand deposits.

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

Effective July 1, 2010, the City will, in lieu of a pay increase, 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, 2010. This was the twentieth consecutive year that the City of Hermiston has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

### ACKNOWLEDGEMENTS

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

Sincerely,



---

Edward Brookshier  
City Manager and Treasurer



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Robert D. Irby  
Finance Director/Recorder

# 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, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

**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.  
GERALD J. MORO, 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.  
ADAM M. BARNETT, C.P.A.

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**INDEPENDENT AUDITOR'S REPORT**

Mayor and City Council  
City of Hermiston  
Hermiston, Oregon

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Hermiston, Oregon, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Hermiston, Oregon's management. Our responsibility is to express opinions on these financial statements based on our audit.

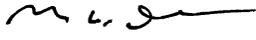
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Hermiston, Oregon, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General fund, Reserve fund, and Revolving loan fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13 through 18 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hermiston, Oregon's financial statements as a whole. The introductory section, supplementary information section, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary information section is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The supplementary information section has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 section is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section, and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Barnett & Moro, P.C.

By: 

---

Richard L. Stoddard, Shareholder  
Hermiston, Oregon  
September 27, 2011

# CITY OF HERMISTON, OREGON

## Management's Discussion and Analysis

June 30, 2011

This discussion and analysis provides highlights of financial activities of the City of Hermiston, Oregon. 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.

### **Overview of the Financial Statements**

The City's basic financial statements are divided into several components. Together, they provide a comprehensive overview of the City's financial position. The components of the basic financial statements include:

- 1. Government-wide financial statements.** The government-wide financial statements present information about the financial activities of the City as a whole.

The Statement of Net Assets presents a view of assets available for future City operations and the liabilities the City owes. The difference between the assets and liabilities is reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the year. Net assets are increased by revenues and decreased by expenses. 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.

- 2. 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 assets and the changes in net assets 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 four proprietary funds to account for its electricity, water, sewer, and regional water operations.

**CITY OF HERMISTON, OREGON**

**Management's Discussion and Analysis (continued)**

**June 30, 2011**

Overview of the Financial Statements (continued)

- 3. Notes to the Financial Statements.** The notes provide additional information necessary to gain a full understanding of the financial statements.
- 4. Other Information.** This section includes financial information about individual non-major governmental funds, budget to actual comparisons for all funds that prepare budgets that are not included in the basic financial statements, and information about capital assets and long-term debt.

**Financial Highlights**

Over time, increases or decreases in net assets may be useful in determining improvement or deterioration in the financial position of the City. The following tables provide information comparing the current year's government-wide financial statements to restatements of prior year's information for the City as a whole:

Net Assets at Year-End  
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Cash and investments	\$ 9,614	\$ 8,168	\$ 7,124	\$ 6,493	\$ 16,738	\$ 14,661
Other assets	2,051	1,908	1,405	1,342	3,456	3,250
Capital assets	13,454	13,893	33,514	33,408	46,968	47,301
Total assets	25,119	23,969	42,043	41,243	67,162	65,212
Other liabilities	1,793	1,660	1,012	1,457	2,805	3,117
Long term debt outstanding	3,320	3,365	19,758	19,894	23,078	23,259
Total liabilities	5,113	5,025	20,770	21,351	25,883	26,376
Net assets:						
Invested in capital assets, net of debt	10,134	10,528	13,756	13,515	23,890	24,043
Restricted	3,008	1,465	-	-	3,008	1,465
Unrestricted	6,864	6,951	7,517	6,377	14,381	13,328
Total net assets	\$ 20,006	\$ 18,944	\$ 21,273	\$ 19,892	\$ 41,279	\$ 38,836

**CITY OF HERMISTON, OREGON**

**Management's Discussion and Analysis (continued)**

**June 30, 2011**

**Financial Highlights (continued)**

Governmental and Proprietary Activities  
Year Ending June 30,  
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>REVENUES</b>						
Program revenues:						
Charges for service	\$ 2,124	\$ 2,431	\$ 11,924	\$ 11,872	\$ 14,048	\$ 14,303
Operating Grants and contributions	503	231	-	-	503	231
Capital Grants and contributions	200	236	-	-	200	236
General revenues:						
Taxes	6,803	6,647	-	-	6,803	6,647
Interest	15	11	18	21	33	32
Other	439	578	196	146	635	724
Total revenues	<u>10,084</u>	<u>10,134</u>	<u>12,138</u>	<u>12,039</u>	<u>22,222</u>	<u>22,173</u>
<b>EXPENSES</b>						
Governmental activities:						
General government	2,119	2,144	-	-	2,119	2,144
Public safety	3,296	3,354	-	-	3,296	3,354
Highways and streets	946	1,070	-	-	946	1,070
Economic development	16	130	-	-	16	130
Cultural and recreation	2,471	2,526	-	-	2,471	2,526
Interest on long-term debt	146	147	-	-	146	147
Business-type activities:						
Water	-	-	2,777	2,404	2,777	2,404
Sewer	-	-	1,407	1,471	1,407	1,471
Electric	-	-	6,601	6,563	6,601	6,563
Total expenses	<u>8,994</u>	<u>9,371</u>	<u>10,785</u>	<u>10,438</u>	<u>19,779</u>	<u>19,809</u>
Change in net assets before transfers	1,090	763	1,353	1,601	2,443	2,364
Transfers	(28)	182	28	(182)	-	-
Change in net assets	<u>1,062</u>	<u>945</u>	<u>1,381</u>	<u>1,419</u>	<u>2,443</u>	<u>2,364</u>
Beginning net assets	18,944	17,999	19,892	18,473	38,836	36,472
Ending net assets	<u>\$ 20,006</u>	<u>\$ 18,944</u>	<u>\$ 21,273</u>	<u>\$ 19,892</u>	<u>\$ 41,279</u>	<u>\$ 38,836</u>

## CITY OF HERMISTON, OREGON

### Management's Discussion and Analysis (continued)

June 30, 2011

#### **Financial Highlights (continued)**

The City's overall net assets (reported on the government-wide Statement of Activities) increased by \$2,443,000 during the year. Key elements of the changes in net assets are explained as follows:

#### **Fund Analysis**

##### **Governmental Activities**

The governmental funds report outflows of resources for capital acquisitions and principal payments on long-term debts, while the government-wide statement of activities does not. The government-wide statement of activities focuses on the results of City operations. Expenses for governmental activities decreased by \$377,000 due to decreased costs of administering revolving loan programs and other cost cutting and efficiencies.

The primary fund of the City, the General Fund, ended the year of operations with an increase in fund balance of \$1,058,000. Total revenues in the General Fund decreased by \$43,000 over the prior year. Charges for service decreased from the prior year because the prior year included significant building permits and fees relating to the construction of three new public schools in Hermiston. Decreases in charges for service were offset by increased grants and contributions. Expenditures in the General Fund increased by \$103,000 or 1.7% from the prior year due to increases in retirement benefits. Beginning July 1, 2010, the City began paying what would otherwise be the employee's 6% contribution to the Oregon Public Employees Retirement System in lieu of pay increases in prior years.

Other major governmental funds include the Reserve Fund and Revolving Loan Fund. The Reserve fund ended the fiscal year with an increase in fund balance of \$166,000 compared to a \$114,000 increase in the prior year. Transfers from other funds increased by \$51,000 over the prior year. The Revolving Loan Fund remained constant. Fees paid to loan program administrators equal grant proceeds received for administration.

The remaining governmental funds ended with an increase in fund balance of \$248,000 compared to a \$137,000 increase in the prior year. The City received a \$113,000 increase in motor vehicle fuel taxes because of rate increases enacted by the State of Oregon.

##### **Business-Type Activities**

The Utility Fund experienced an increase in fund balance of \$862,000. Revenues increased by 5% while expenses increased by 7% over the prior year. The increase in revenues was due mainly to a scheduled rate increase, while the increase in expenses was due to pump repairs.

The fund balance in the Energy Fund increase by \$457,000 during the year. Revenues and expenses remained steady. The Energy Fund transferred \$38,000 to the Reserve Fund to hold in reserve for future repairs, upgrades or debt service.

The Regional Water Fund experienced an increase in fund balance of \$60,000 compared to an increase of \$180,000 the year before. The fund spent \$100,000 for telemetry system repairs.

**CITY OF HERMISTON, OREGON**

**Management's Discussion and Analysis (continued)**

**June 30, 2011**

**Business-Type Activities (Continued)**

There was minimal change in the Waste Water Treatment Plant Construction Fund's balance. Virtually all funding was from loan proceeds. All expenses were capitalized.

**Budgetary Highlights**

The City modified its budget once during the year. The City approved one supplemental budget to appropriate funds for needed repairs and upgrades of City infrastructure.

General Fund revenues exceeded budgeted expectations by \$589,000. General Fund expenditures were \$458,000 below budgeted expectations. The City has, and will continue to budget conservatively on general revenues and expenditures. Expenditures for repairs and other contracted services were \$291,000 below expectations. These expenses occur only as needed.

**Capital Assets**

The City had \$46.9 million in capital assets net of depreciation at June 30, 2011 allocated as follows:

Capital Assets at Year-End  
Net of depreciation  
(in thousands)

	Governmental Activities		Business-type Activities		Total Governmental	
	2011	2010	2011	2010	2011	2010
Land	\$ 2,209	\$ 2,209	\$ 673	\$ 650	\$ 2,882	\$ 2,859
Construction in progress	11	-	4,637	3,839	4,648	3,839
Buildings and systems	5,663	6,056	28,025	28,696	33,688	34,752
Machinery, equipment	497	455	179	223	676	678
Street system	5,074	5,173	-	-	5,074	5,173
Total capital assets	<u>\$ 13,454</u>	<u>\$ 13,893</u>	<u>\$ 33,514</u>	<u>\$ 33,408</u>	<u>\$ 46,968</u>	<u>\$ 47,301</u>

Major changes in capital assets included the following:

The City added \$798,000 for wastewater treatment plant improvements. These additions will be reported as construction in progress until the current phase of the project is completed.

Extensions and upgrades to utility systems added \$360,000 to buildings and systems.

Additional information on capital assets can be found in Note 4 to the financial statements.

**CITY OF HERMISTON, OREGON**

**Management's Discussion and Analysis (continued)**

**June 30, 2011**

**Debt Administration**

At year end, the City had \$23.3 million in long term debt outstanding compared to \$23.5 million last year. The City repaid \$637,000 of long term debt during the year and received \$429,000 in debt proceeds. Additional information on debt administration can be found in Note 6 to the Financial Statements.

**Economic Factors and Next Year's Budgets and Rates**

The City's approved 2011-12 budget increased appropriations by \$490,000 from the final 2010-11 budget. A \$738,000 decrease in Revolving Loan Fund appropriations are offset by increased transfers to the Reserve Fund for street and utility upgrades.

**Requests for Information**

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

**BASIC FINANCIAL STATEMENTS**

**CITY OF HERMISTON, OREGON**

**Statement of Net Assets**  
**June 30, 2011**

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 9,614,257	\$ 7,123,955	\$ 16,738,212
Accounts and other receivables, net	188,322	1,170,191	1,358,513
Prepaid expenses	106,260	-	106,260
Property taxes receivable	427,720	-	427,720
Contracts receivable	1,328,552	-	1,328,552
Bond issue costs, net	-	235,263	235,263
Capital assets:			
Nondepreciable	2,220,193	5,309,855	7,530,048
Depreciable, net of depreciation	11,234,094	28,203,786	39,437,880
Total assets	<u>25,119,398</u>	<u>42,043,050</u>	<u>67,162,448</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	236,866	511,009	747,875
Accrued interest payable	12,107	259,983	272,090
Compensated absences payable	229,516	66,791	296,307
Deposits payable	-	174,848	174,848
Deferred revenue	1,314,093	-	1,314,093
Notes payable			
Due within one year	-	1,506,377	1,506,377
Due in more than one year	-	645,242	645,242
Bonds payable			
Due within one year	55,000	628,510	683,510
Due in more than one year	3,265,000	16,977,701	20,242,701
Total liabilities	<u>5,112,582</u>	<u>20,770,461</u>	<u>25,883,043</u>
<b><u>NET ASSETS</u></b>			
Invested in capital assets (net of related debt)	10,134,287	13,755,811	23,890,098
Restricted for debt service	1,487,469	-	1,487,469
Restricted for culture and recreation	246,772	-	246,772
Restricted for highways and streets	317,545	-	317,545
Restricted for utility system development	813,345	-	813,345
Other restrictions	143,522	-	143,522
Unrestricted	6,863,876	7,516,778	14,380,654
Total net assets	<u>\$ 20,006,816</u>	<u>\$ 21,272,589</u>	<u>\$ 41,279,405</u>

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

**CITY OF HERMISTON, OREGON**

**Statement of Activities**  
**For the Year Ended June 30, 2011**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Assets</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Governmental activities:							
General government	\$ 2,119,150	\$ 665,312	\$ 364,432	\$ -	\$ (1,089,406)	\$ -	\$ (1,089,406)
Public safety	3,296,096	819,888	29,050	43,614	(2,403,544)	-	(2,403,544)
Highways and streets	946,193	-	-	156,244	(789,949)	-	(789,949)
Economic development	15,500	-	20,500	-	5,000	-	5,000
Cultural and recreation	2,471,410	638,879	89,175	-	(1,743,356)	-	(1,743,356)
Interest on long-term debt	145,981	-	-	-	(145,981)	-	(145,981)
Total governmental activities	<u>8,994,330</u>	<u>2,124,079</u>	<u>503,157</u>	<u>199,858</u>	<u>(6,167,236)</u>	<u>-</u>	<u>(6,167,236)</u>
Business-type activities:							
Water	2,776,865	2,759,962	-	-	-	(16,903)	(16,903)
Sewer	1,407,654	1,831,485	-	-	-	423,831	423,831
Electric	6,600,863	7,331,855	-	-	-	730,992	730,992
Total business-type activities	<u>10,785,382</u>	<u>11,923,302</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,137,920</u>	<u>1,137,920</u>
Total government	<u>\$ 19,779,712</u>	<u>\$ 14,047,381</u>	<u>\$ 503,157</u>	<u>\$ 199,858</u>	<u>(6,167,236)</u>	<u>1,137,920</u>	<u>(5,029,316)</u>
General revenues:							
Property taxes, levied for general purposes					4,419,541	-	4,419,541
Property taxes, levied for debt service					374,340	-	374,340
Transient room taxes					364,064	-	364,064
911 taxes					120,827	-	120,827
Franchise tax					389,756	-	389,756
Motor fuel taxes					780,571	-	780,571
State shared taxes - unrestricted					354,712	-	354,712
Interest and investment earnings					14,570	18,027	32,597
Other revenues					439,541	196,320	635,861
Transfers					(28,473)	28,473	-
Total general revenues and transfers					<u>7,229,449</u>	<u>242,820</u>	<u>7,472,269</u>
Change in net assets					<u>1,062,213</u>	<u>1,380,740</u>	<u>2,442,953</u>
Net assets--beginning					<u>18,944,603</u>	<u>19,891,849</u>	<u>38,836,452</u>
Net assets--ending					<u>\$ 20,006,816</u>	<u>\$ 21,272,589</u>	<u>\$ 41,279,405</u>

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

**CITY OF HERMISTON, OREGON**

**Governmental Funds**  
**Balance Sheet**  
**June 30, 2011**

	<u>General</u>	<u>Reserve</u>	<u>Revolving Loan</u>	<u>Other Governmental</u>	<u>Total</u>
<b><u>ASSETS:</u></b>					
Cash and investments	\$ 4,888,241	\$ 3,601,523	\$ 24,553	\$ 1,099,940	\$ 9,614,257
Receivables:					
Property taxes	394,264	-	-	33,456	427,720
Intergovernmental and other	188,322	-	-	-	188,322
Contracts receivable	-	-	1,328,552	-	1,328,552
Prepaid expenses				106,260	106,260
Total assets	<u>\$ 5,470,827</u>	<u>\$ 3,601,523</u>	<u>\$ 1,353,105</u>	<u>\$ 1,239,656</u>	<u>\$ 11,558,851</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b><u>LIABILITIES:</u></b>					
Accounts payable	\$ 61,825	\$ 68,891	\$ -	\$ 106,150	\$ 236,866
Deferred revenues:					
Property taxes	331,182	-	-	28,103	359,285
Contracts and other	-	-	1,279,243	34,850	1,314,093
Total liabilities	<u>393,007</u>	<u>68,891</u>	<u>1,279,243</u>	<u>169,103</u>	<u>1,910,244</u>
<b><u>FUND BALANCES:</u></b>					
Nonspendable	-	-	-	106,260	106,260
Restricted	-	2,423,036	-	587,617	3,010,653
Committed	-	1,109,596	73,862	376,676	1,560,134
Assigned	55,000	-	-	-	55,000
Unassigned	5,022,820	-	-	-	5,022,820
Total fund balances	<u>5,077,820</u>	<u>3,532,632</u>	<u>73,862</u>	<u>1,070,553</u>	<u>9,754,867</u>
Total liabilities and fund balances	<u>\$ 5,470,827</u>	<u>\$ 3,601,523</u>	<u>\$ 1,353,105</u>	<u>\$ 1,239,656</u>	<u>\$ 11,665,111</u>

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

**CITY OF HERMISTON, OREGON**

**Reconciliation of the Governmental Funds Balance Sheet to the  
Statement of Net Assets  
June 30, 2011**

<b><u>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</u></b>		\$ 9,754,867
<p>Capital assets used in governmental activities are not financial resources, therefore, are not reported in the governmental funds' balance sheet.</p>		
Acquisition cost	\$ 31,435,262	
Accumulated depreciation	<u>(17,980,975)</u>	13,454,287
<p>Deferred property tax revenues are collected in subsequent years and are not available to pay for current-period expenditures and, therefore, are reported as deferred revenue in the funds' balance sheet.</p>		
		359,285
<p>Accrued compensated absences are not due and payable with current financial resources, therefore, they are not reported in the funds' balance sheet.</p>		
		(229,516)
<p>Long-term liabilities, including bonds payable and accrued interest payable, are not due in the current period and, therefore, are not reported in the funds' balance sheet.</p>		
Bonds payable	(3,320,000)	
Accrued interest payable	<u>(12,107)</u>	<u>(3,332,107)</u>
<b><u>TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES</u></b>		<b><u>\$ 20,006,816</u></b>

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

**CITY OF HERMISTON, OREGON**

**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2011**

	<u>General</u>	<u>Reserve</u>	<u>Revolving Loan</u>	<u>Other Governmental</u>	<u>Total</u>
<b><u>REVENUES:</u></b>					
Property taxes	\$ 4,410,587	\$ -	\$ -	\$ 374,340	\$ 4,784,927
Transient room tax	238,884	68,303	-	56,877	364,064
911 tax	-	-	-	120,827	120,827
Franchise tax	389,756	-	-	-	389,756
Intergovernmental	354,712	-	-	780,571	1,135,283
Fees, licenses, and permits	5,390	-	-	-	5,390
Fines and forfeits	508,124	-	-	195,872	703,996
Investment interest	8,129	5,717	609	-	14,455
Charges for services	876,199	35,767	-	508,117	1,420,083
Grants and contributions	277,336	250,308	15,500	159,871	703,015
Miscellaneous	347,835	14,720	-	71,596	434,151
Total revenues	<u>7,416,952</u>	<u>374,815</u>	<u>16,109</u>	<u>2,268,071</u>	<u>10,075,947</u>
<b><u>EXPENDITURES:</u></b>					
Current:					
General government	1,596,679	110,975	-	288,384	1,996,038
Public safety	2,602,389	-	-	616,189	3,218,578
Highways and streets	-	-	-	611,728	611,728
Economic development	-	-	15,500	-	15,500
Cultural and recreation	1,753,647	21,000	-	391,573	2,166,220
Debt service:					
Principal	-	-	-	45,000	45,000
Interest	-	-	-	145,981	145,981
Capital Outlay:					
General government	-	16,594	-	-	16,594
Public safety	50,053	-	-	45,580	95,633
Highways and streets	-	218,370	-	-	218,370
Cultural and recreation	-	45,948	-	-	45,948
Total expenditures	<u>6,002,768</u>	<u>412,887</u>	<u>15,500</u>	<u>2,144,435</u>	<u>8,575,590</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u></b>					
	1,414,184	(38,072)	609	123,636	1,500,357
<b><u>OTHER FINANCING SOURCES (USES):</u></b>					
Transfers in	373,595	462,070	-	694,813	1,530,478
Transfers out	(729,813)	(258,440)	-	(570,698)	(1,558,951)
Total other financing sources (uses)	<u>(356,218)</u>	<u>203,630</u>	<u>-</u>	<u>124,115</u>	<u>(28,473)</u>
<b><u>NET CHANGE IN FUND BALANCES</u></b>	1,057,966	165,558	609	247,751	1,471,884
<b><u>FUND BALANCES, BEGINNING</u></b>	4,019,854	3,367,074	73,253	822,802	8,282,983
<b><u>FUND BALANCES, ENDING</u></b>	<u>\$ 5,077,820</u>	<u>\$ 3,532,632</u>	<u>\$ 73,862</u>	<u>\$ 1,070,553</u>	<u>\$ 9,754,867</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 Year Ended June 30, 2011**

Net change in fund balances - total governmental funds	\$	1,471,884
Amounts reported for governmental activities in the statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
Expenditures for capital assets	\$	376,545
Less current year depreciation		<u>(815,488)</u>
		(438,943)
Governmental funds defer revenues that do not provide current financial resources. However, the statement of activities recognizes such revenues at their net realizable value when earned, regardless of when received.		
		8,954
Repayment of long-term debt uses current financial resources and is reported as expenditures in governmental funds. However, it is reported as a decrease in liabilities in the statement of net assets.		
		45,000
Some expenses, such as accrued interest expense on long-term debt, are reported in the statement of activities. However they do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
		<u>(24,682)</u>
<b><u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u></b>	<b>\$</b>	<b><u>1,062,213</u></b>

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

**CITY OF HERMISTON, OREGON**

**General Fund**

**Statement of Revenues, Expenditures and Changes in Fund Balance -  
Budget (Non-GAAP Budgetary Basis) and Actual  
For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget- Positive (Negative)
<b><u>REVENUES:</u></b>				
Property taxes	\$ 4,165,000	\$ 4,165,000	\$ 4,409,144	\$ 244,144
Transient room tax	87,500	87,500	238,884	151,384
Franchise fees	743,900	743,900	764,124	20,224
Intergovernmental	285,000	285,000	354,712	69,712
Fees, licenses, and permits	3,500	3,500	5,390	1,890
Fines and forfeits	375,000	375,000	508,124	133,124
Investment interest	10,000	10,000	15,699	5,699
Charges for services	909,590	909,590	881,880	(27,710)
Grants and contributions	232,500	232,500	177,336	(55,164)
Miscellaneous	303,500	303,500	349,207	45,707
Total revenues	<u>7,115,490</u>	<u>7,115,490</u>	<u>7,704,500</u>	<u>589,010</u>
<b><u>EXPENDITURES:</u></b>				
Current:				
General government:				
Personal services	806,230	806,230	773,139	33,091
Materials and services	1,061,540	1,187,290	823,540	363,750
Public safety:				
Personal services	2,436,185	2,436,185	2,338,989	97,196
Materials and services	231,585	231,585	263,400	(31,815)
Culture and recreation:				
Personal services	1,240,665	1,255,665	1,310,404	(54,739)
Materials and services	459,725	461,100	443,243	17,857
Capital outlay	82,750	112,750	80,053	32,697
Total expenditures	<u>6,318,680</u>	<u>6,490,805</u>	<u>6,032,768</u>	<u>458,037</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u></b>	<u>796,810</u>	<u>624,685</u>	<u>1,671,732</u>	<u>1,047,047</u>
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Transfers out	(771,810)	(821,810)	(729,813)	91,997
Total other financing sources (uses)	<u>(771,810)</u>	<u>(821,810)</u>	<u>(729,813)</u>	<u>91,997</u>
<b><u>NET CHANGE IN FUND BALANCE</u></b>	25,000	(197,125)	941,919	1,139,044
<b><u>FUND BALANCES, BEGINNING</u></b>	-	222,125	3,848,841	3,626,716
<b><u>FUND BALANCES, ENDING</u></b>	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ 4,790,760</u>	<u>\$ 4,765,760</u>

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

**CITY OF HERMISTON, OREGON**

**Reserve Fund**

**Statement of Revenues, Expenditures and Changes in Fund Balance -  
Budget (Non-GAAP Budgetary Basis) and Actual  
For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES:</u></b>				
Taxes	\$ 93,000	\$ 93,000	\$ 68,303	\$ (24,697)
Intergovernmental	6,000	6,000	250,308	244,308
Reimbursements and other	-	-	50,487	50,487
Total revenues	<u>99,000</u>	<u>99,000</u>	<u>369,098</u>	<u>270,098</u>
<b><u>EXPENDITURES:</u></b>				
Current:				
General government:				
Materials and services	645	645	110,975	(110,330)
Highways and streets:				
Materials and services	120,700	120,700	-	120,700
Culture and recreation:				
Materials and services	31,750	81,750	36,000	45,750
Capital outlay	<u>3,767,125</u>	<u>3,767,125</u>	<u>685,874</u>	<u>3,081,251</u>
Total expenditures	<u>3,920,220</u>	<u>3,970,220</u>	<u>832,849</u>	<u>3,137,371</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u></b>				
	<u>(3,821,220)</u>	<u>(3,871,220)</u>	<u>(463,751)</u>	<u>3,407,469</u>
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Transfers from:				
General Fund	-	50,000	50,000	-
Utility Fund	336,015	336,015	336,015	-
Street Fund	25,765	25,765	25,765	-
Regional Water Fund	12,050	12,050	12,050	-
Energy Fund	<u>38,240</u>	<u>38,240</u>	<u>38,240</u>	<u>-</u>
Total other financing sources (uses)	<u>412,070</u>	<u>462,070</u>	<u>462,070</u>	<u>-</u>
<b><u>NET CHANGE IN FUND BALANCE</u></b>				
	<u>(3,409,150)</u>	<u>(3,409,150)</u>	<u>(1,681)</u>	<u>3,407,469</u>
<b><u>FUND BALANCES, BEGINNING</u></b>				
	<u>3,409,150</u>	<u>3,409,150</u>	<u>3,364,609</u>	<u>(44,541)</u>
<b><u>FUND BALANCES, ENDING</u></b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,362,928</u>	<u>\$ 3,362,928</u>

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

**CITY OF HERMISTON, OREGON**

**Revolving Loan Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget (Non-GAAP Budgetary Basis) and Actual**

**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget- Positive (Negative)</u>
<b><u>REVENUES:</u></b>				
Intergovernmental	\$ -	\$ -	\$ 51,423	\$ 51,423
Investment interest	-	-	609	609
Total revenues	<u>-</u>	<u>-</u>	<u>52,032</u>	<u>52,032</u>
<b><u>EXPENDITURES:</u></b>				
Current:				
Economic development:				
Materials and services	<u>837,500</u>	<u>837,500</u>	<u>15,500</u>	<u>822,000</u>
<b><u>EXCESS (DEFICIENCY) OF</u></b>				
<b><u>REVENUES OVER (UNDER)</u></b>	(837,500)	(837,500)	36,532	874,032
<b><u>EXPENDITURES</u></b>				
<b><u>FUND BALANCES, BEGINNING</u></b>	<u>837,500</u>	<u>837,500</u>	<u>(11,370)</u>	<u>(848,870)</u>
<b><u>FUND BALANCES, ENDING</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,162</u>	<u>\$ 25,162</u>

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

**CITY OF HERMISTON, OREGON**

**Proprietary Funds**  
**Statement of Net Assets**  
**June 30, 2011**

	Business-Type Activities-Enterprise Funds				Totals
	Utility	Energy	Regional Water	WWTP Construction	
<b><u>ASSETS</u></b>					
<b><u>CURRENT ASSETS:</u></b>					
Cash and cash equivalents	\$ 1,682,726	\$ 4,639,803	\$ 801,426	\$ -	\$ 7,123,955
Receivable from other proprietary fund	956,860	-	-	-	956,860
Accounts receivable	641,745	598,151	37,295	-	1,277,191
Allowance for doubtful accounts	(87,000)	(20,000)	-	-	(107,000)
Total current assets	<u>3,194,331</u>	<u>5,217,954</u>	<u>838,721</u>	<u>-</u>	<u>9,251,006</u>
<b><u>NONCURRENT ASSETS:</u></b>					
Capital assets, net	12,484,053	11,463,424	6,217,036	3,349,128	33,513,641
Bond issue costs, net	8,120	227,143	-	-	235,263
Total noncurrent assets	<u>12,492,173</u>	<u>11,690,567</u>	<u>6,217,036</u>	<u>3,349,128</u>	<u>33,748,904</u>
Total assets	<u>15,686,504</u>	<u>16,908,521</u>	<u>7,055,757</u>	<u>3,349,128</u>	<u>42,999,910</u>
<b><u>LIABILITIES</u></b>					
<b><u>CURRENT LIABILITIES:</u></b>					
Accounts payable	143,648	355,053	-	12,308	511,009
Payable to other proprietary fund	-	-	-	956,860	956,860
Accrued interest payable	41,402	140,484	78,097	-	259,983
Compensated absences payable	66,791	-	-	-	66,791
Deposits payable	7,200	167,648	-	-	174,848
Notes payable	6,377	-	-	1,500,000	1,506,377
Bonds payable	248,510	200,000	180,000	-	628,510
Total current liabilities	<u>513,928</u>	<u>863,185</u>	<u>258,097</u>	<u>2,469,168</u>	<u>4,104,378</u>
<b><u>NONCURRENT LIABILITIES:</u></b>					
Notes payable	63,911	-	-	581,331	645,242
Bonds payable	1,396,731	12,305,970	3,275,000	-	16,977,701
Total long-term liabilities	<u>1,460,642</u>	<u>12,305,970</u>	<u>3,275,000</u>	<u>581,331</u>	<u>17,622,943</u>
Total liabilities	<u>1,974,570</u>	<u>13,169,155</u>	<u>3,533,097</u>	<u>3,050,499</u>	<u>21,727,321</u>
<b><u>NET ASSETS</u></b>					
Invested in capital assets (net of related debt)	10,768,524	(1,042,546)	2,762,036	1,267,797	13,755,811
Unrestricted	2,943,410	4,781,912	760,624	(969,168)	7,516,778
Total net assets	<u>\$ 13,711,934</u>	<u>\$ 3,739,366</u>	<u>\$ 3,522,660</u>	<u>\$ 298,629</u>	<u>\$ 21,272,589</u>

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

**CITY OF HERMISTON, OREGON**

**Proprietary Funds**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**For the Year Ended June 30, 2011**

	Business-Type Activities - Enterprise Funds				Totals
	Utility	Energy	Regional Water	WWTP Construction	
<b><u>OPERATING REVENUE:</u></b>					
Charges for sales and services:					
Pledged as security for revenue bonds:					
Electricity	\$ -	\$ 7,331,855	\$ -	\$ -	\$ 7,331,855
Water	2,223,788	-	-	-	2,223,788
Sewer	1,831,485	-	-	-	1,831,485
Miscellaneous revenues	70,860	124,960	-	500	196,320
Unpledged:					
Water	-	-	536,174	-	536,174
Total operating revenue	4,126,133	7,456,815	536,174	500	12,119,622
<b><u>OPERATING EXPENSES:</u></b>					
Cost of sales and services:					
Electricity	-	5,517,159	-	-	5,517,159
Water	1,466,868	-	561,137	-	2,028,005
Sewer	1,263,827	-	-	-	1,263,827
Depreciation and amortization	436,730	508,076	176,033	-	1,120,839
Total operating expenses	3,167,425	6,025,235	737,170	-	9,929,830
<b><u>OPERATING INCOME</u></b>	958,708	1,431,580	(200,996)	500	2,189,792
<b><u>NONOPERATING REVENUES</u></b>					
<b><u>(EXPENSES):</u></b>					
Interest on investments	11,770	6,257	-	-	18,027
Interest expense	(91,800)	(575,628)	(188,124)	-	(855,552)
Total nonoperating revenue (expenses)	(80,030)	(569,371)	(188,124)	-	(837,525)
<b><u>INCOME (DEFICIT) BEFORE TRANSFERS</u></b>	878,678	862,209	(389,120)	500	1,352,267
Transfers in	319,564	-	461,809	-	781,373
Transfers out	(336,015)	(404,835)	(12,050)	-	(752,900)
Total transfers	(16,451)	(404,835)	449,759	-	28,473
<b><u>CHANGE IN NET ASSETS</u></b>	862,227	457,374	60,639	500	1,380,740
<b><u>TOTAL NET ASSETS - BEGINNING</u></b>	12,849,707	3,281,992	3,462,021	298,129	19,891,849
<b><u>TOTAL NET ASSETS - ENDING</u></b>	\$ 13,711,934	\$ 3,739,366	\$ 3,522,660	\$ 298,629	\$ 21,272,589

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

**CITY OF HERMISTON, OREGON**

**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2011**

	Business-Type Activities - Enterprise Funds				Totals
	Utility	Energy	Regional Water	WWTP Construction	
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>					
Receipts from customers	\$ 4,086,390	\$ 7,392,500	\$ 545,900	\$ 500	\$ 12,025,290
Payments to suppliers	(1,041,371)	(5,355,603)	(423,441)	-	(6,820,415)
Payments to employees	(1,661,404)	(225,219)	(138,404)	-	(2,025,027)
Net cash provided by (used in) operating activities	<u>1,383,615</u>	<u>1,811,678</u>	<u>(15,945)</u>	<u>500</u>	<u>3,179,848</u>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>					
Transfer from other funds	319,564	-	461,809	-	781,373
Transfer to other funds	(336,015)	(404,835)	(12,050)	-	(752,900)
Change in loans payable to (from) other funds	(599,210)	-	-	599,210	-
Net cash provided by (used in) noncapital financing activities	<u>(615,661)</u>	<u>(404,835)</u>	<u>449,759</u>	<u>599,210</u>	<u>28,473</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>					
Acquisition and construction of capital assets	(206,243)	(359,875)	-	(1,028,874)	(1,594,992)
Proceeds from bonds and notes	-	-	-	429,164	429,164
Interest paid on bonds and notes	(80,842)	(565,089)	(191,555)	-	(837,486)
Principal paid on bonds and notes	(242,208)	(180,000)	(170,000)	-	(592,208)
Net cash used in capital and related financing activities	<u>(529,293)</u>	<u>(1,104,964)</u>	<u>(361,555)</u>	<u>(599,710)</u>	<u>(2,595,522)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>					
Interest received	11,770	6,257	-	-	18,027
<b><u>NET INCREASE IN CASH</u></b>	<u>250,431</u>	<u>308,136</u>	<u>72,259</u>	<u>-</u>	<u>630,826</u>
<b><u>CASH AND CASH EQUIVALENTS, BEGINNING</u></b>	<u>1,432,295</u>	<u>4,331,667</u>	<u>729,167</u>	<u>-</u>	<u>6,493,129</u>
<b><u>CASH AND CASH EQUIVALENTS, ENDING</u></b>	<u>\$ 1,682,726</u>	<u>\$ 4,639,803</u>	<u>\$ 801,426</u>	<u>\$ -</u>	<u>\$ 7,123,955</u>
<b><u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u></b>					
Operating income	\$ 958,708	\$ 1,431,580	\$ (200,996)	\$ 500	\$ 2,189,792
<b><u>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u></b>					
Depreciation and amortization	436,730	508,076	176,033	-	1,120,839
Change in assets and liabilities:					
Accounts receivable	(39,743)	(64,315)	9,726	-	(94,332)
Accounts payable and accrued expenses	27,920	(63,663)	(708)	-	(36,451)
<b><u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u></b>	<u>\$ 1,383,615</u>	<u>\$ 1,811,678</u>	<u>\$ (15,945)</u>	<u>\$ 500</u>	<u>\$ 3,179,848</u>

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

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The City of Hermiston, Oregon, operates under a Mayor-Council 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.

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:**

A component unit is a separate legal organization for which the City is considered to be financially accountable. The City has determined that no other organization meets the criteria to be included as a component unit in the City's financial statements.

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

**B. Government-wide and fund financial statements:**

The government-wide financial statements include the statement of net assets 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.

**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.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**C. Measurement focus, basis of accounting, and financial statement presentation (continued):**

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.

The City reports deferred revenue and unearned revenue. Governmental funds report deferred revenues when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Governmental funds report unearned revenues when resources are received by the government before they are earned. Unearned revenue is also reported as a liability on the Government-wide financial statements. In subsequent periods, when other revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability is removed and revenue is recognized.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**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.

**Reserve Fund:**

The Reserve Fund is used to account for funds set aside by the City for various designated purposes. Allocations are maintained to insure funds are expended according to restrictions imposed at the receipt of the funds or by later City designations of allowable uses of these funds.

**Revolving Loan Fund:**

This fund is used to account for housing and business development revolving loans.

**Proprietary Funds**

Proprietary Funds are used to account for operations which are financed and operated in a manner similar to private business enterprises. 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 intent of the governing body is 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. The City reports the following major proprietary funds:

**Utility Fund:**

The Utility Fund is used to account for operations of the City's water and sewer utilities.

**Energy Fund:**

The Energy Fund is used to account for operations of the City's electricity distribution system.

**Regional Water Fund:**

The Regional Water Fund is used to account for operation of the regional water system. The regional water system treats and distributes water from the Columbia River for city use and sale to commercial users.

**Waste Water Treatment Plant (WWTP) Construction Fund:**

The WWTP Construction Fund is used to account for the construction activities of the waste water treatment plant separate from operations of the Utility Fund. After completion, the waste water treatment plant fund will close, and the City will transfer assets and liabilities to the Utility Fund.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**E. Capital assets and long-term liabilities:**

The City capitalizes assets purchased or constructed with an individual cost more than \$5,000 and an estimated useful life in excess of one year. Not all items reported as capital outlay meet these requirements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at estimated fair values on the date donated.

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

Estimated useful lives for depreciable assets are as follows:

Electricity distribution system	33 years
Street system	50 years
Water and sewer system	50 years
Buildings	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 \$855,552 in the proprietary funds. Of this amount, \$26,812 was included in the cost of capital assets under construction.

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 amortized in a systematic manner over the term of their related debt in the government-wide financial statements and the fund financial statements of proprietary funds. Bond issuance costs are reported as expenses of the period incurred in the fund financial statements of governmental funds.

**F. Cash and investments:**

Cash includes demand deposits and short-term investments. The City combines each fund's cash in a cash and investment pool, which is accounted for monthly.

The proprietary funds report all assets of the cash and investment pool as cash and cash equivalents on the statement of cash flows. The City considers the cash and investment pool to have the general characteristics of a demand deposit account. The proprietary funds may deposit additional cash and effectively withdraw cash at any time without prior notice or penalty.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**G. Cash and investments (continued):**

Statutes authorize the City to invest in certificates of deposit, passbooks, bankers' acceptances, and other available bank investments provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds. In addition, the City can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law. Investments are reported at fair value.

**H. Inventories:**

The City does not have any significant inventories. Inventory items are recorded as expenditures when purchased.

**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.

**K. Net assets:**

Reserves represent those portions of net assets not appropriable for expenditure or legally segregated for a specific future use.

**L. 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.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**M. Property taxes:**

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

**N. Income taxes:**

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

**O. 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.

**P. Credit risk:**

The City grants credit to utility customers, substantially all of whom are local residents.

**Q. Interest income:**

The City transfers interest income earned on cash balances of the special revenue funds to the General Fund.

**R. Accounting Standards:**

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary funds and Other Governmental Entities that Use Proprietary Fund Accounting, the City has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989.

**S. Fund Balance:**

In the fund financial statements, the fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash and include inventories and prepaid amounts.

Fund balance is reported as restricted when the constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**S. Fund Balance (continued)**

Fund balance is reported as committed when the City Council passes a resolution that places specific constraints on how the resources may be used. The City Council can modify or rescind the resolution at any time through passage of an additional resolution.

Fund balance is reported as assigned when resources are constrained by the government's intent to use them for a specific purpose, but are neither restricted nor committed. Intent is expressed when the City Council approves which resources should be assigned to expenditure for particular purposes during the adoption of the annual budget. The City's Finance Director uses that information to determine whether those resources should be classified as assigned or unassigned for presentation in the City's Comprehensive Annual Financial Report.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned.

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.

Fund balances by classification for the year ended June 30, 2011 were as follows:

	<u>General</u>	<u>Reserve Fund</u>	<u>Revolving Loan Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Fund balances</u></b>					
Nonspendable:					
Prepays and deposits	\$ -	\$ -	\$ -	\$ 106,260	\$ 106,260
Restricted:					
Debt service	-	1,288,002	-	199,467	1,487,469
Culture and recreation	-	147,413	-	99,359	246,772
Highways and streets	-	153,101	-	164,444	317,545
Utility system development	-	813,345	-	-	813,345
Other restrictions	-	21,175	-	122,347	143,522
Unappropriated					
ending fund balance	-	-	-	2,000	2,000
Total restricted	-	2,423,036	-	587,617	3,010,653

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**S. Fund Balance (continued)**

	<u>General</u>	<u>Reserve Fund</u>	<u>Revolving Loan Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Fund balances</u>					
Committed:					
Culture and recreation	-	-	-	244,303	244,303
Community development	-	-	73,862	-	73,862
Utility systems	-	1,030,168	-	-	1,030,168
Other reserves	-	79,428	-	132,373	211,801
Total committed	-	1,109,596	73,862	376,676	1,560,134
Assigned:					
Capital projects	30,000	-	-	-	30,000
Unappropriated ending fund balance	25,000	-	-	-	25,000
Total assigned	55,000	-	-	-	55,000
Unassigned	5,022,820	-	-	-	5,022,820
Ending net assets	<u>\$ 5,077,820</u>	<u>\$ 3,532,632</u>	<u>\$ 73,862</u>	<u>\$ 1,070,553</u>	<u>\$ 9,754,867</u>

\$264,899 is restricted for highways and streets and \$162,453 is restricted for culture and recreation by

**T. Encumbrances:**

The City encumbers amounts necessary to honor its commitments before liabilities are incurred. Encumbered appropriations do not lapse at year end, but are reserved for future expenditures.

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

**A. Budgets and budgetary accounting:**

1. The City Council follows these procedures in establishing the budgetary data reflected in these financial statements.
  - a. Budgets for all budgeted funds are adopted on a basis that varies from the basis of accounting used for financial statement presentation as described above. The budgetary basis of accounting is cash basis plus encumbrances. Under this basis, revenues are recorded as they are received and expenditures and expenses when paid. Encumbrances for purchase orders and other commitments are included with expenditures in the budgetary accounts as charges against the budget appropriations. Budget comparison statements presented in this report are on this non-GAAP budgetary basis of accounting. Reconciliations between budgetary basis and financial statements basis are provided in notes 11 and 12.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2011**

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

**A. Budgets and budgetary accounting (continued):**

1. The City Council follows these procedures in establishing the budgetary data reflected in these financial statements.
  - b. The budget process includes preparation of a proposed budget under the direction of the City Manager. The budget is reviewed and approved by a Budget Committee prior to its submission to the City Council. The operating budget includes proposed expenditures and the means for financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The budget document includes both summary and detailed budget information.
  - c. After the proposed budget is prepared, the budget officer publishes a “Notice of Budget committee Meeting” in at least one newspaper of general circulation. At the budget committee meeting, the budget message is delivered explaining the proposed budget and any significant changes in the City’s financial position. The budget committee meets thereafter as many times as necessary until the budget document is completed.
  - d. After approval by the budget committee and the required public hearing, and prior to July 1, the budget is adopted by the City Council, and appropriations are enacted by resolution. Appropriations control expenditures in broad categories as required by Oregon Local Budget Law. More detailed classifications of budgeted expenditures are adopted for administrative control purposes. Budget appropriations lapse at year end.
2. Management is not allowed to modify the budget without action by the governing body. The governing body is authorized to modify the original budget appropriation resolution in the following
  - a. Transfer of budget appropriations within a fund are authorized by resolution of the governing body.
  - b. Budget revisions that increase total expenditures in any fund require a supplemental budget to be adopted. If a supplemental budget increases a fund’s expenditures by less than 10%, the City can adopt it by publishing a notice seven days before a meeting is held to pass the adoption resolution. If a supplemental budget increases a fund’s expenditures by more than 10%, the City must follow the same procedures in adopting a supplemental budget as those to adopt an original budget.
3. During the year the City adopted a supplemental budget which increased total appropriations by \$425,125.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2011**

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued):**

**A. Budgets and budgetary accounting (continued):**

4. The following funds legally adopt annual budgets:

- General fund
- All special revenue funds
- All debt service funds
- All capital project funds
- All enterprise funds

5. Expenditures may not legally exceed budget appropriations at the object level of control in each fund:

- Personal services
- Materials and services
- Capital outlay
- Debt service:
  - Principal
  - Interest

Appropriations are made at the same legal level of control described above.

**B. Budget overexpenditures:**

Oregon state local budget laws prohibit overexpenditure of budgeted appropriations. The City overexpended the budget of the following funds during the year ended June 30, 2011:

**Recreation Reserve Fund:**

Materials and services \$ 38,977

**Transient Room Tax Fund:**

Materials and services \$ 16,524

**Conference Center Fund:**

Materials and services \$ 54,558

**Law Enforcement Reserve**

Capital outlay \$ 29,060

**Recorder's Reserve Fund:**

Capital outlay \$ 22,128

**Municipal Court Fund:**

Materials and services \$ 166,178

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2011**

**NOTE 3 – CASH AND INVESTMENTS (continued):**

**Cash:**

Cash on hand	\$ 1,410
Demand deposits, Banner Bank	1,192,273
Demand deposits, U.S. National Bank	6,796,948
Cash subtotal	<u>7,990,631</u>

**Investments:**

		<u>Percentage of Total Investments</u>	<u>Weighted Average Maturity Years</u>
U.S. Government agency discount notes:			
Federal Home Loan Bank	3,249,097	37.1%	0.40
Federal Home Loan Mortgage Corporation	1,499,767	17.1%	0.22
Federal Farm Credit Bank	1,999,824	22.9%	0.28
Federal National Mortgage Association	1,998,893	22.9%	0.85
Investment subtotal	<u>8,747,581</u>	<u>100.0%</u>	
 Total cash and investments, June 30, 2011	 <u>\$ 16,738,212</u>		

Portfolio weighted average maturity 0.66

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

**Custodial Credit Risk – Deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned. ORS Chapter 295 governs the collateralization of Oregon public funds and provides the statutory requirements for the Public Funds Collateralization Program. The Public Funds Collateralization Program was created by the Office of the State Treasurer to facilitate bank depository, custodian, and public official compliance with ORS 295. ORS 295 requires the depository institution to pledge collateral against any public funds deposits in excess of deposit insurance amounts. As of June 30, 2011, the total bank balance was \$7,989,221. Of these deposits, \$500,000 was covered by federal depository insurance. The City keeps its deposits at financial institutions deemed to be qualified depositories by the Office of the State Treasurer. The City's remaining deposits in excess of federal deposit insurance are considered by management to be fully collateralized.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2011**

**NOTE 3 – CASH AND INVESTMENTS (continued):**

**Interest Rate Risk – Investments**

As of June 30, 2011, the City's weighted average maturity of its investment portfolio was 0.66 years. The City invests in short-term U.S. Government securities. These securities will be redeemed for full value at maturity.

**Credit Risk – Investments**

The City invests in securities of U.S. Government sponsored enterprises. U.S. Government agency discount notes are not rated. Securities of U.S. Government sponsored enterprises are not explicitly backed by the full faith and credit of the U.S. Government, but they have implied government backing and an implied AAA rating.

**Concentration of Credit Risk – Investments**

The City invests in U.S. Government debt and U.S. Government agency debt. Detailed information by issuer is available on the previous page.

**Custodial Credit Risk – Investments**

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments. As of June 30, 2011 all of the City's \$8,747,581 in investments were exposed to custodial credit risk because the securities were held by a third party not in the City's name and were not insured.

**Investment Policies**

The City has not adopted a formal investment policy addressing the risks listed above.

**NOTE 4 – CAPITAL ASSETS:**

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Balance June 30, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2011</u>
<b><u>Governmental Activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 2,208,670	\$ -	\$ -	\$ 2,208,670
Construction in progress	-	11,523	-	11,523
Total capital assets not being depreciated	<u>2,208,670</u>	<u>11,523</u>	<u>-</u>	<u>2,220,193</u>

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2011**

**NOTE 4 – CAPITAL ASSETS (continued):**

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance June 30, 2010	Increases	Decreases	Balance June 30, 2011
<b><u>Governmental Activities (continued):</u></b>				
Capital assets being depreciated:				
Buildings and improvements	12,019,380	-	-	12,019,380
Machinery and equipment	2,316,920	146,652	(198,374)	2,265,198
Street system	14,712,121	218,370	-	14,930,491
Total capital assets being depreciated	<u>29,048,421</u>	<u>365,022</u>	<u>(198,374)</u>	<u>29,215,069</u>
Less: Accumulated depreciation:				
Buildings and improvements	(5,963,318)	(393,041)	-	(6,356,359)
Machinery and equipment	(1,862,387)	(104,553)	198,374	(1,768,566)
Street system	(9,538,156)	(317,894)	-	(9,856,050)
Total accumulated depreciation	<u>(17,363,861)</u>	<u>(815,488)</u>	<u>198,374</u>	<u>(17,980,975)</u>
Total capital assets being depreciated, net	<u>11,684,560</u>	<u>(450,466)</u>	<u>-</u>	<u>11,234,094</u>
Governmental activities capital assets, net	<u>\$ 13,893,230</u>	<u>\$ (438,943)</u>	<u>\$ -</u>	<u>\$ 13,454,287</u>
<b><u>Business-type Activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 649,943	\$ 22,865	\$ -	\$ 672,808
Construction in progress	3,838,996	798,051	-	4,637,047
Total capital assets not being depreciated	<u>4,488,939</u>	<u>820,916</u>	<u>-</u>	<u>5,309,855</u>
Capital assets being depreciated:				
Utility system and buildings	35,015,806	-	-	35,015,806
Electric system	15,184,771	359,875	-	15,544,646
Equipment and vehicles	929,469	-	-	929,469
Total capital assets being depreciated	<u>51,130,046</u>	<u>359,875</u>	<u>-</u>	<u>51,489,921</u>

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2011**

**NOTE 4 – CAPITAL ASSETS (continued):**

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance June 30, 2010	Increases	Decreases	Balance June 30, 2011
<b><u>Governmental Activities (continued):</u></b>				
Less: Accumulated depreciation:				
Utility system and buildings	(17,889,093)	(565,747)	-	(18,454,840)
Electric system	(3,615,623)	(465,597)	-	(4,081,220)
Equipment and vehicles	(705,784)	(44,291)	-	(750,075)
Total accumulated depreciation	<u>(22,210,500)</u>	<u>(1,075,635)</u>	-	<u>(23,286,135)</u>
Total capital assets being depreciated, net	<u>28,919,546</u>	<u>(715,760)</u>	-	<u>28,203,786</u>
Business-type activities capital assets, net	<u>\$ 33,408,485</u>	<u>\$ 105,156</u>	<u>\$ -</u>	<u>\$ 33,513,641</u>

Depreciation was charged to functions and programs as follows:

Governmental Activities:	
General government	\$ 98,315
Public safety	77,518
Highways and streets	334,465
Cultural and recreation	305,190
Total depreciation expense of governmental activities	<u>\$ 815,488</u>
Business-type activities:	
Water	\$ 290,178
Sewer	143,827
Electricity	465,597
Regional Water	176,033
Total depreciation expense of business-type activities	<u>\$ 1,075,635</u>

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2011**

**NOTE 5 – RISK MANAGEMENT:**

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

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

**NOTE 6 – LONG-TERM DEBT:**

**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 January 2007, the City issued Utility Refunding Bonds valued at \$2,532,370 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 City issued general obligation refunding water bonds in November 2000 for \$4,450,000. These bonds were used to retire some of the water bonds issued in 1994.

The City issued electric system revenue refunding bonds in October 2005 for \$13,210,000 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. Bond issuance costs of \$404,393 are capitalized and amortized over the life of the bond using the effective-interest method.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2011**

**NOTE 6 – LONG-TERM DEBT (continued):**

The City issued general obligation bonds in March 2003 for \$3,635,000 to finance construction of an aquatic center. Bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities:		
2003 Pool Bonds	2.0% - 4.625%	\$ 3,320,000
Business-type activities:		
2000 Refunding Water Bonds	4.75% - 5.6%	3,455,000
2005 Electric System Revenue Bonds	3.35%-4.60%	12,730,000
2007 Refunding Utility Bonds	4.10%	1,645,241
Gross amount of bonds		21,150,241
Unamortized refunding costs		(100,117)
Unamortized original issue discount		(123,913)
Total bonds		<u>\$ 20,926,211</u>

Annual debt service requirements to maturity for bonds payable are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 55,000	\$ 144,363	\$ 628,510	\$ 808,717
2013	60,000	142,391	670,469	781,393
2014	65,000	140,155	716,791	751,919
2015	75,000	137,469	762,744	720,044
2016	80,000	134,369	823,314	685,500
2017-2021	535,000	613,039	3,603,413	2,893,917
2022-2026	790,000	472,998	4,135,000	1,942,265
2027-2031	1,120,000	257,985	4,310,000	1,002,376
2032-2036	540,000	25,438	2,180,000	99,676
Totals	<u>\$ 3,320,000</u>	<u>\$ 2,068,207</u>	<u>\$ 17,830,241</u>	<u>\$ 9,685,807</u>

**Notes payable:**

The City borrowed \$76,362 from Business Oregon, the Oregon Business Development Department, to install water and sewer infrastructure in conjunction with the construction of Penney Ave. This note is payable \$9,884 due each December 1, including interest at a rate of 4.99%.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2011**

**NOTE 6 – LONG-TERM DEBT (continued):**

The City borrowed \$581,331 of \$4,047,328 available from the Clean Water State Revolving Loan Fund Loan Program from the Oregon Department of Environmental Quality. The City expects to borrow all available funds. An interest only payment will be due six months after the project completion date. The loan will be repaid in equal semi-annual payments due May 1 and November 1, including interest at 2.83% over 20 years after the date of completion. An annual fee of 0.5% of the outstanding balance will be added to the payment due each May. Annual debt service requirements below are based upon a preliminary repayment schedule required by the loan agreement.

The City borrowed \$1,500,000 Water and Sewer Subordinate Lien Credit Facility Note, Series 2008. This interim financing matures March 8, 2012. Variable interest at 55% of the US Bank Prime Rate is due at maturity, presently 1.7875%. Should the City be unable to obtain permanent financing to refinance the Facility and 2008 Series Note, the City may pay the interest accrued interest at the maturity date, and pay the unpaid principal with interest at 95% of the Bank's Prime Rate in fifteen equal annual installments.

Notes currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-type activities:		
Business Oregon	4.99%	\$ 70,288
Oregon Dept. of Environmental Quality 2008 Line of Credit	2.83%	581,331
	Variable	1,500,000
Total Business-type activities		<u>\$ 2,151,619</u>

Annual debt service requirements to maturity for notes payable are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 1,506,377	\$ 30,320
2013	134,284	49,895
2014	267,497	15,503
2015	200,654	6,408
2016	7,749	2,136
2017-2021	35,058	4,479
Totals	<u>\$ 2,151,619</u>	<u>\$ 108,741</u>

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2011**

**NOTE 6 – LONG-TERM DEBT (continued):**

**Changes in long-term debt:**

Long-term liability activity for the year ended June 30, 2011 was as follows:

	Balance June 30, 2010	Increases	Decreases	Balance June 30, 2011	Due Within One Year
Government Activities:					
2003 Pool Bonds	\$ 3,365,000	\$ -	\$ (45,000)	\$ 3,320,000	\$ 55,000
Compensated absences	204,719	246,461	(221,664)	229,516	183,613
Total Governmental Activities	<u>\$ 3,569,719</u>	<u>\$ 246,461</u>	<u>\$ (266,664)</u>	<u>\$ 3,549,516</u>	<u>\$ 238,613</u>
Business-Type Activities:					
2000 Refunding Water Bonds	\$ 3,625,000	\$ -	\$ (170,000)	\$ 3,455,000	\$ 180,000
2005 Electric Revenue Bonds	12,910,000	-	(180,000)	12,730,000	200,000
2007 Refunding Utility Bonds	1,881,375	-	(236,134)	1,645,241	248,510
Total bonds	<u>18,416,375</u>	<u>-</u>	<u>(586,134)</u>	<u>17,830,241</u>	<u>628,510</u>
Notes Payable:					
Business Oregon	76,362	-	(6,074)	70,288	6,377
Oregon Dept. of Environmental Quality	152,167	429,164	-	581,331	-
2008 Utility line of credit	1,500,000	-	-	1,500,000	1,500,000
Total notes	<u>1,728,529</u>	<u>429,164</u>	<u>(6,074)</u>	<u>2,151,619</u>	<u>1,506,377</u>
Compensated absences	70,352	64,719	(68,280)	66,791	53,433
Total Business-type Activities	<u>\$ 20,215,256</u>	<u>\$ 493,883</u>	<u>\$ (660,488)</u>	<u>\$ 20,048,651</u>	<u>\$ 2,188,320</u>

Compensated absences of governmental activities are generally liquidated by the general fund. The City expects that the entire balance of compensated absences accrued at year end will be liquidated within the next year.

**NOTE 7 – GARBAGE DISPOSAL CONTRACT:**

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

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2011**

**NOTE 8 - INTERFUND TRANSACTIONS:**

**Interfund transfers:**

Transfer Out:	Transfer In:					Total Transfers Out
	General	Reserve	Utility	Regional Water	Nonmajor Governmental	
General	\$ -	\$ 50,000	\$ -	\$ -	\$ 679,813	\$ 729,813
Reserve	7,000	-	136,186	100,254	15,000	258,440
Utility	-	336,015	-	-	-	336,015
Regional Water	-	12,050	-	-	-	12,050
Energy	366,595	38,240	-	-	-	404,835
Non-major governmental	-	25,765	183,378	361,555	-	570,698
Total Transfers in	<u>\$ 373,595</u>	<u>\$ 462,070</u>	<u>\$ 319,564</u>	<u>\$ 461,809</u>	<u>\$ 694,813</u>	<u>\$ 2,311,851</u>

Net transfers from business-type activities to governmental activities reported on the statement of activities are reported as follows:

Net transfers from business-type activities:

Transfers in:

Utility	\$ 319,564
Regional water fund	461,809

Transfers out:

Utility	(336,015)
Regional water fund	(12,050)
Energy fund	(404,835)
	<u>\$ 28,473</u>

Net transfers to governmental activities:

Transfers in:

General fund	\$ 373,595
Reserve fund	462,070
Non-major governmental funds	694,813

Transfer out:

General fund	(729,813)
Reserve fund	(258,440)
Non-major governmental funds	(570,698)
	<u>\$ (28,473)</u>

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2011**

**NOTE 8 - INTERFUND TRANSACTIONS (continued):**

The City makes routine transfers between funds as follows:

Interest earned by monies held in various reserve funds is transferred to the General Fund.

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.

The General Fund transfers funds to the 911 Communications Fund to meet the costs of emergency dispatch services that exceed state revenues received.

Budgetary basis transfers reported on the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual differ from those reported on the modified accrual basis in the fund financial statements because:

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

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 reports these as a transfer.

Expenditures for proprietary fund capital assets are made by the Reserve Fund. The City budgets these expenditures as capital outlay, but the fund financial statements report them as transfers.

**Interfund loans:**

The City makes loans from one fund to another to meet current cash needs. All loans are expected to be repaid within one year.

**NOTE 9 – CONTINGENT LIABILITIES:**

Amounts received or receivable from state and federal grants are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

Various claims and lawsuits are pending against the City. In the opinion of City management, the potential loss on all claims will not be significant to the City's financial statements.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2011**

**NOTE 10 – INTERGOVERNMENTAL REVENUES:**

The City’s governmental funds received funding from a variety of Oregon governmental sources. The following schedule details the more significant sources:

Oregon State highway taxes	\$ 780,571
Oregon State liquor and cigarette taxes	230,911
Oregon State revenue sharing	<u>123,801</u>
Total	<u>\$ 1,135,283</u>

**NOTE 11 – RECONCILIATION OF GAAP BASIS REVENUES AND EXPENDITURES TO BUDGETARY BASIS REVENUES AND EXPENDITURES:**

As discussed in note 2, the City accounts for budgetary basis revenues and expenditures using a non-GAAP method. Budgetary basis information of the General Fund and the major Special Revenue Fund reconciles to GAAP basis as follows:

	<u>General Fund</u>	<u>Reserve Fund</u>	<u>Revolving Loan Fund</u>
<b><u>GAAP BASIS NET CHANGE IN FUND</u></b>			
<b><u>BALANCES ADD (DEDUCT):</u></b>	\$ 1,057,966	\$ 165,558	\$ 609
Change in receivables	(94,197)	-	35,923
Changes in unearned investment (gains) losses	570	1,283	-
Change in encumbrances	(30,000)	(168,522)	-
Change in deferred revenue	<u>7,580</u>	<u>-</u>	<u>-</u>
<b><u>BUDGETARY BASIS NET CHANGE IN FUND BALANCES</u></b>	<u>\$ 941,919</u>	<u>\$ (1,681)</u>	<u>\$ 36,532</u>

**NOTE 12 – RECONCILIATION OF GAAP BASIS FUND EQUITY TO BUDGETARY BASIS FUND EQUITY:**

The budgetary basis fund equity of the General Fund and the major Special Revenue Fund reconciles to GAAP basis fund equity as follows:

	<u>General Fund</u>	<u>Reserve Fund</u>	<u>Revolving Loan Fund</u>
<b><u>GAAP BASIS FUND BALANCES</u></b>			
<b><u>ADD (DEDUCT):</u></b>	\$ 5,077,820	\$ 3,532,632	\$ 73,862
Receivables	(582,586)	-	(1,339,094)
Unearned investment (gains) losses	(5,656)	(1,182)	-
Encumbrances	(30,000)	(168,522)	-
Deferred revenue	<u>331,182</u>	<u>-</u>	<u>1,290,394</u>
<b><u>BUDGET BASIS FUND BALANCES</u></b>	<u>\$ 4,790,760</u>	<u>\$ 3,362,928</u>	<u>\$ 25,162</u>

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2011**

**NOTE 13 – DEFERRED COMPENSATION PLAN:**

The City offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred, all property and rights purchased, and all income, property, or rights are, until paid or made available to the employee or other beneficiary, held in trust for the exclusive benefit of the participants and their beneficiaries. The deferred compensation investments are not included in the City's financial statements.

**NOTE 14 – DEFINED BENEFIT PENSION PLAN:**

**A. Plan Description**

The City is a participating employer in the Oregon Public Employees Retirement System ("PERS"), an agent multiple-employer public employee retirement system established under Oregon Revised Statutes 238.600 that acts as a common investment and administrative agent for public employers in the State of Oregon. PERS is a defined benefit pension plan that provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Benefits are established by state statute.

In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for PERS. The Oregon Public Service Retirement Plan ("OPSRP") is effective for all new employees hired on or after August 29, 2003, and applies to any inactive PERS members who return to employment following a six month or greater break in service. The new plan consists of a defined benefit program (the "Pension Program") and a defined contribution portion (the Individual Account Program or "IAP"). The Pension Program portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service and a factor that varies based on type of service (general versus police or fire).

Beginning January 1, 2004, all PERS member contributions go into the IAP portion of OPSRP. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account. Those employees who had established a PERS membership prior to creation of OPSRP will be members of both the PERS and OPSRP system as long as they remain in covered employment.

Both PERS and OPSRP are administered by the Oregon Public Employees Retirement Board ("OPERB"). The comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, by calling (503) 598-7377, or by accessing the PERS web site at [www.pers.state.or.us](http://www.pers.state.or.us).

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2011**

**B. Funding Policy**

Members of PERS are required to contribute 6.00% of their salary covered under the plan. The employer is required by ORS 238.225 to contribute at an actuarially determined rates. The current rates are 13.08% of salary covered for PERS, 11.59% for General Service OPSRP, and 14.30% for Fire and Police OPSRP. The contribution requirements for plan members and the employer are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

**C. Annual Pension Cost**

Beginning July 1, 2010, the City elected to pay the employees' required contributions. For 2011, the City's annual pension cost of \$853,856 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2009 actuarial valuation using the projected unit credit actuarial cost method. Tier 1/Tier 2 regular UAL and Retiree Healthcare UAL are amortized as a level percentage of combined valuation payroll over a closed 20 year period. The City uses the market value of assets method to determine the asset valuation. The actuarial assumptions included: (a) 8% investment return compounded annually on member's regular account balances and 8.5% compounded annually on member's variable account balances; (b) future general wage inflation of 3.75% per year; (c) healthcare cost inflation graded from 7.0% in 2009 to 4.5% in 2029; (d) consumer price inflation of 2.75% per year.

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 857,130	100%	\$ -
2010	631,961	100%	-
2011	853,856	100%	-

**D. Trend Information**

The data presented below presents the information currently available.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Actuarial Accrued Liability/ (Surplus) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/05	23,237,058	24,851,302	1,614,244	94%	4,243,891	38%
12/31/06	25,924,129	25,346,738	(577,391)	102%	4,710,810	(12)%
12/31/07	27,679,617	25,706,675	(1,972,942)	108%	4,565,370	(43)%
12/31/08	21,245,176	26,636,773	5,391,597	80%	4,992,843	108%
12/31/09	22,872,794	28,126,358	5,253,564	81%	4,511,734	116%

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2011**

**NOTE 15 -- POSTEMPLOYMENT HEALTH INSURANCE PLAN:**

**Retirement Health Insurance Account (RHIA)**

As a member of Oregon Public Employees Retirement System (OPERS) the City contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700.

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

Participating governments are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.32% of annual covered payroll. The OPERS Board of Trustees sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The City's contributions to RHIA for the years ended June 30, 2011, 2010 and 2009 were \$15,352, \$16,158 and \$19,598, which equaled the required contributions each year.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2011**

**NOTE 16 – SUBSEQUENT EVENTS:**

The City is building a wastewater recycling plant. The City plans to request construction proposals in late 2011 and early 2012. The estimated total cost of this multi-year project is \$27,000,000. Total expenditures so far on this project have been \$7,033,000. The City expects the project will be financed by low-interest loans from the Oregon Department of Environmental Quality (DEQ.) The City is approved for \$15,456,973 in DEQ loans. Completion of the project is expected in 2013.

Other projects in process at June 30, 2011 include:

The Water Department is constructing a pumping station expected to cost \$480,000 upon completion in the fall of 2011. Street equipment and infrastructure upgrades totaling \$220,000 are planned for the fall of 2011. Development and improvement of City parks totaling \$220,000 is planned for completion in the summer of 2012.

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

**SUPPLEMENTARY INFORMATION**

**CITY OF HERMISTON, OREGON**

**Non-major Governmental Funds**

**June 30, 2011**

**SPECIAL REVENUE FUNDS**

Special revenue funds are used to account for specific revenues that are restricted to expenditure for particular purposes.

**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.

**Transient Room Tax Fund:**

This fund is used to account for the receipts of restricted monies received from motel room taxation.

**Recreation Reserve Fund:**

This fund is used to account for amounts constrained for recreation activities for city residents.

**Municipal Court Fund:**

This fund is used to account for bail and fines received and refunds paid.

**Recorder's Reserve Fund:**

This fund is used to account for amounts received by the city with a dedicated purpose.

**Conference Center Fund:**

This fund is used to account for revenues and expenditures relating to the operation of the City's conference center.

**911 Communications Fund:**

This fund is used to account for the city's share of state 911 funds restricted for operation of the City's 911 emergency dispatch center.

**Law Enforcement Reserve Fund:**

This fund is used to account for amounts constrained for law enforcement and related purposes.

**Library Reserve Fund:**

This fund is used to account for amounts constrained for library operations and improvements.

**DEBT SERVICE FUND**

Debt service funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources.

**Bonded Debt Fund:**

This fund is used to account for the payment of bonded debt.

**CITY OF HERMISTON, OREGON**

**Non-major Governmental Funds**

**Combining Balance Sheet**

**June 30, 2011**

				Special Revenue					Debt Service		
	State Tax Street Fund	Transient Room Tax Fund	Recreation Reserve Fund	Municipal Court Fund	Recorder's Reserve Fund	Conference Center Fund	911 Communications Fund	Law Enforcement Reserve Fund	Library Reserve Fund	Bonded Debt Fund	Total Non-major Governmental Funds
<b><u>ASSETS:</u></b>											
Cash and investments	\$ 164,444	\$ 81,109	\$ 188,613	\$ 16,978	\$ 218,485	\$ 104,474	\$ -	\$ 60,583	\$ 69,140	\$ 196,114	\$ 1,099,940
Receivables (net of allowances for uncollectible):											
Property taxes	-	-	-	-	-	-	-	-	-	33,456	33,456
Prepaid expenses	-	-	-	-	106,260	-	-	-	-	-	106,260
Total assets	<u>\$ 164,444</u>	<u>\$ 81,109</u>	<u>\$ 188,613</u>	<u>\$ 16,978</u>	<u>\$ 324,745</u>	<u>\$ 104,474</u>	<u>\$ -</u>	<u>\$ 60,583</u>	<u>\$ 69,140</u>	<u>\$ 229,570</u>	<u>\$ 1,239,656</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>											
<b><u>LIABILITIES:</u></b>											
Accounts payable	\$ -	\$ -	\$ -	\$ 769	\$ 86,816	\$ 18,565	\$ -	\$ -	\$ -	\$ -	\$ 106,150
Deferred revenues	-	-	-	-	-	-	-	34,850	-	28,103	62,953
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>769</u>	<u>86,816</u>	<u>18,565</u>	<u>-</u>	<u>34,850</u>	<u>-</u>	<u>28,103</u>	<u>169,103</u>
<b><u>FUND BALANCES:</u></b>											
Nonspendable	-	-	-	-	106,260	-	-	-	-	-	106,260
Restricted	164,444	81,109	77,112	16,209	-	-	-	25,029	22,247	201,467	587,617
Committed	-	-	111,501	-	131,669	85,909	-	704	46,893	-	376,676
Total fund balances	<u>164,444</u>	<u>81,109</u>	<u>188,613</u>	<u>16,209</u>	<u>237,929</u>	<u>85,909</u>	<u>-</u>	<u>25,733</u>	<u>69,140</u>	<u>201,467</u>	<u>1,070,553</u>
Total liabilities and fund balances	<u>\$ 164,444</u>	<u>\$ 81,109</u>	<u>\$ 188,613</u>	<u>\$ 16,978</u>	<u>\$ 324,745</u>	<u>\$ 104,474</u>	<u>\$ -</u>	<u>\$ 60,583</u>	<u>\$ 69,140</u>	<u>\$ 229,570</u>	<u>\$ 1,239,656</u>

**CITY OF HERMISTON, OREGON**

**Non-major Governmental Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2011**

				Special Revenue					Debt Service	Total Non-major Governmental Funds	
	State Tax Street Fund	Transient Room Tax Fund	Recreation Reserve Fund	Municipal Court Fund	Recorder's Reserve Fund	Conference Center Fund	911 Communications Fund	Law Enforcement Reserve Fund	Library Reserve Fund	Bonded Debt Fund	
<b>REVENUES:</b>											
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 374,340	\$ 374,340
Transient room tax	-	56,877	-	-	-	-	-	-	-	-	56,877
911 Tax	-	-	-	-	-	-	120,827	-	-	-	120,827
Intergovernmental	780,571	-	-	-	-	-	-	-	-	-	780,571
Fines and forfeits	-	-	-	185,620	-	-	-	10,252	-	-	195,872
Charges for services	-	-	139,412	-	227,698	141,007	-	-	-	-	508,117
Grants and contributions	-	5,000	69,975	-	-	-	-	65,696	19,200	-	159,871
Miscellaneous	-	-	-	-	8,982	-	-	-	28,878	33,736	71,596
Total revenues	<u>780,571</u>	<u>61,877</u>	<u>209,387</u>	<u>185,620</u>	<u>236,680</u>	<u>141,007</u>	<u>120,827</u>	<u>75,948</u>	<u>48,078</u>	<u>408,076</u>	<u>2,268,071</u>
<b>EXPENDITURES:</b>											
Current:											
General government	-	-	-	184,673	103,711	-	-	-	-	-	288,384
Public safety	-	-	-	-	-	-	589,682	26,507	-	-	616,189
Highways and streets	611,728	-	-	-	-	-	-	-	-	-	611,728
Cultural and recreation	-	73,965	123,567	-	-	143,743	-	-	50,298	-	391,573
Capital Outlay:											
General government	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	45,580	-	-	45,580
Cultural and recreation	-	-	-	-	-	-	-	-	-	-	-
Debt service:											
Principal	-	-	-	-	-	-	-	-	-	45,000	45,000
Interest	-	-	-	-	-	-	-	-	-	145,981	145,981
Total expenditures	<u>611,728</u>	<u>73,965</u>	<u>123,567</u>	<u>184,673</u>	<u>103,711</u>	<u>143,743</u>	<u>589,682</u>	<u>72,087</u>	<u>50,298</u>	<u>190,981</u>	<u>2,144,435</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>168,843</u>	<u>(12,088)</u>	<u>85,820</u>	<u>947</u>	<u>132,969</u>	<u>(2,736)</u>	<u>(468,855)</u>	<u>3,861</u>	<u>(2,220)</u>	<u>217,095</u>	<u>123,636</u>
<b>OTHER FINANCING SOURCES (USES):</b>											
Transfers in	-	-	27,557	-	7,420	-	468,855	-	-	190,981	694,813
Transfers out	(25,765)	-	-	-	(183,378)	-	-	-	-	(361,555)	(570,698)
Total other financing sources (uses)	<u>(25,765)</u>	<u>-</u>	<u>27,557</u>	<u>-</u>	<u>(175,958)</u>	<u>-</u>	<u>468,855</u>	<u>-</u>	<u>-</u>	<u>(170,574)</u>	<u>124,115</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>143,078</u>	<u>(12,088)</u>	<u>113,377</u>	<u>947</u>	<u>(42,989)</u>	<u>(2,736)</u>	<u>-</u>	<u>3,861</u>	<u>(2,220)</u>	<u>46,521</u>	<u>247,751</u>
<b>FUND BALANCES, BEGINNING</b>	<u>21,366</u>	<u>93,197</u>	<u>75,236</u>	<u>15,262</u>	<u>280,918</u>	<u>88,645</u>	<u>-</u>	<u>21,872</u>	<u>71,360</u>	<u>154,946</u>	<u>822,802</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 164,444</u>	<u>\$ 81,109</u>	<u>\$ 188,613</u>	<u>\$ 16,209</u>	<u>\$ 237,929</u>	<u>\$ 85,909</u>	<u>\$ -</u>	<u>\$ 25,733</u>	<u>\$ 69,140</u>	<u>\$ 201,467</u>	<u>\$ 1,070,553</u>

**CITY OF HERMISTON, OREGON**

**Reserve Fund**

**Schedule of Detail Allocations (Non-GAAP Budgetary Basis)**

**For the Year Ended June 30, 2011**

City Ordinances have established specific allocations of the Reserve Fund. The following schedule presents the allocations of the 2010-11 transactions to their specified purposes.

	Balance June 30, 2010	Revenues	Expenditures	Transfers In (Out)	Balance June 30, 2011
<b><u>ALLOCATIONS:</u></b>					
Office equipment, finance	\$ 28,832	\$ -	\$ 20,775	\$ 8,000	\$ 16,057
Airport improvements	9,685	-	-	-	9,685
Park improvements	153	-	-	-	153
Recreation programs	39,940	34,126	33,400	-	40,666
Parks development	94,093	34,177	21,523	-	106,747
Centennial bell	2,351	-	-	-	2,351
Street equipment	50,146	2,500	168,522	-	(115,876)
Bicycle trails	41,365	-	-	62,650	104,015
Street maintenance	83,231	168,464	218,370	13,115	46,440
Street construction	-	-	-	-	-
Utility construction	56,958	-	113,321	-	(56,363)
Sewer department equipment	6,401	-	11,384	15,000	10,017
Water department equipment	406	-	-	10,000	10,406
Wastewater treatment plant	105,316	-	-	303,015	408,331
BMCC Latino education grant	-	94,064	94,064	-	-
HES improvements	1,349,962	-	-	38,240	1,388,202
Regional water system	645,781	-	100,254	12,050	557,577
Wastewater-SDC	76,761	8,893	-	-	85,654
Water-SDC	737,028	14,874	24,211	-	727,691
Parks-SDC	36,200	12,000	27,025	-	21,175
Total reserve fund	<u>\$ 3,364,609</u>	<u>\$ 369,098</u>	<u>\$ 832,849</u>	<u>\$ 462,070</u>	<u>\$ 3,362,928</u>

**CITY OF HERMISTON, OREGON**

**State Tax Street Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget (Non-GAAP Budgetary Basis) and Actual**

**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b><u>REVENUES:</u></b>				
Intergovernmental	<u>\$ 650,000</u>	<u>\$ 650,000</u>	<u>\$ 780,571</u>	<u>\$ 130,571</u>
<b><u>EXPENDITURES:</u></b>				
Current:				
Highways and streets:				
Personal services	<u>490,735</u>	<u>490,735</u>	<u>490,653</u>	<u>82</u>
Materials and services	<u>133,500</u>	<u>133,500</u>	<u>121,075</u>	<u>12,425</u>
Total expenditures	<u>624,235</u>	<u>624,235</u>	<u>611,728</u>	<u>12,507</u>
<b><u>DEFICIENCY OF REVENUES</u></b>				
<b><u>UNDER EXPENDITURES</u></b>	<u>25,765</u>	<u>25,765</u>	<u>168,843</u>	<u>143,078</u>
<b><u>OTHER FINANCING SOURCES</u></b>				
<b><u>(USES):</u></b>				
Transfers out	<u>(25,765)</u>	<u>(25,765)</u>	<u>(25,765)</u>	<u>-</u>
Total other financing sources (uses)	<u>(25,765)</u>	<u>(25,765)</u>	<u>(25,765)</u>	<u>-</u>
<b><u>NET CHANGE IN FUND BALANCES</u></b>	<u>-</u>	<u>-</u>	<u>143,078</u>	<u>143,078</u>
<b><u>FUND BALANCES, BEGINNING</u></b>	<u>-</u>	<u>-</u>	<u>21,366</u>	<u>21,366</u>
<b><u>FUND BALANCES, ENDING</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 164,444</u>	<u>\$ 164,444</u>

**CITY OF HERMISTON, OREGON**

**Transient Room Tax Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget (Non-GAAP Budgetary Basis) and Actual**

**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget-
				Positive
				(Negative)
<b><u>REVENUES:</u></b>				
Taxes	\$ 47,500	\$ 47,500	\$ 56,877	\$ 9,377
Grants and contributions	10,000	10,000	5,000	(5,000)
	<u>57,500</u>	<u>57,500</u>	<u>61,877</u>	<u>4,377</u>
<b><u>EXPENDITURES:</u></b>				
Current:				
Culture and recreation:				
Personal services	16,685	16,685	16,626	59
Material and services	40,815	40,815	57,339	(16,524)
	<u>57,500</u>	<u>57,500</u>	<u>73,965</u>	<u>(16,465)</u>
<b><u>DEFICIENCY OF REVENUES</u></b>				
<b><u>UNDER EXPENDITURES</u></b>				
	-	-	(12,088)	(12,088)
<b><u>FUND BALANCES, BEGINNING</u></b>				
	-	-	93,197	93,197
<b><u>FUND BALANCES, ENDING</u></b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81,109</u>	<u>\$ 81,109</u>

**CITY OF HERMISTON, OREGON**

**Recreation Reserve Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget (Non-GAAP Budgetary Basis) and Actual**

**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b><u>REVENUES:</u></b>				
Charges for service	\$ -	\$ -	\$ 154,412	\$ 154,412
Grants and contributions	-	-	69,975	69,975
	<u>-</u>	<u>-</u>	<u>224,387</u>	<u>224,387</u>
<b><u>EXPENDITURES:</u></b>				
Current:				
Culture and recreation:				
Materials and services	<u>84,590</u>	<u>84,590</u>	<u>123,567</u>	<u>(38,977)</u>
Total expenditures	<u>84,590</u>	<u>84,590</u>	<u>123,567</u>	<u>(38,977)</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES</u></b>				
<b><u>OVER (UNDER) EXPENDITURES</u></b>	(84,590)	(84,590)	100,820	185,410
<b><u>OTHER FINANCING SOURCES</u></b>				
<b><u>(USES):</u></b>				
Transfers in	<u>-</u>	<u>-</u>	<u>12,557</u>	<u>12,557</u>
<b><u>NET CHANGE IN FUND BALANCES</u></b>	(84,590)	(84,590)	113,377	197,967
<b><u>FUND BALANCES, BEGINNING</u></b>	<u>84,590</u>	<u>84,590</u>	<u>75,236</u>	<u>(9,354)</u>
<b><u>FUND BALANCES, ENDING</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 188,613</u>	<u>\$ 188,613</u>

**CITY OF HERMISTON, OREGON**

**Municipal Court Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget (Non-GAAP Budgetary Basis) and Actual**

**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b><u>REVENUES:</u></b>				
Fines and forfeits	\$ -	\$ -	\$ 185,620	\$ 185,620
	-	-	185,620	185,620
<b><u>EXPENDITURES:</u></b>				
Current:				
General Government:				
Materials and services	18,495	18,495	184,673	(166,178)
Total expenditures	18,495	18,495	184,673	(166,178)
<b><u>EXCESS (DEFICIENCY) OF REVENUES</u></b>				
<b><u>OVER (UNDER) EXPENDITURES</u></b>	(18,495)	(18,495)	947	19,442
<b><u>FUND BALANCES, BEGINNING</u></b>	18,495	18,495	15,262	(3,233)
<b><u>FUND BALANCES, ENDING</u></b>	\$ -	\$ -	\$ 16,209	\$ 16,209

**CITY OF HERMISTON, OREGON**

**Recorder's Reserve Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget (Non-GAAP Budgetary Basis) and Actual**

**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b><u>REVENUES:</u></b>				
Charges for service	\$ -	\$ -	\$ 227,698	\$ 227,698
Miscellaneous income	-	-	8,982	8,982
	<u>-</u>	<u>-</u>	<u>236,680</u>	<u>236,680</u>
<b><u>EXPENDITURES:</u></b>				
Current:				
General Government:				
Materials and services	240,200	240,200	103,711	136,489
Capital outlay	161,250	161,250	183,378	(22,128)
Total expenditures	<u>401,450</u>	<u>401,450</u>	<u>287,089</u>	<u>114,361</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES</u></b>				
<b><u>OVER (UNDER) EXPENDITURES</u></b>	(401,450)	(401,450)	(50,409)	351,041
<b><u>OTHER FINANCING SOURCES</u></b>				
<b><u>(USES):</u></b>				
Transfers in	-	-	7,420	7,420
<b><u>NET CHANGE IN FUND BALANCES</u></b>	(401,450)	(401,450)	(42,989)	358,461
<b><u>FUND BALANCES, BEGINNING</u></b>	401,450	401,450	280,918	(120,532)
<b><u>FUND BALANCES, ENDING</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 237,929</u>	<u>\$ 237,929</u>

**CITY OF HERMISTON, OREGON**

**Conference Center Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget (Non-GAAP Budgetary Basis) and Actual**

**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b><u>REVENUES:</u></b>				
Charges for service	\$ -	\$ -	\$ 141,007	\$ 141,007
	-	-	141,007	141,007
<b><u>EXPENDITURES:</u></b>				
Current:				
Culture and recreation:				
Materials and services	89,185	89,185	143,743	(54,558)
Total expenditures	89,185	89,185	143,743	(54,558)
<b><u>EXCESS (DEFICIENCY) OF REVENUES</u></b>				
<b><u>OVER (UNDER) EXPENDITURES</u></b>	(89,185)	(89,185)	(2,736)	86,449
<b><u>FUND BALANCES, BEGINNING</u></b>	89,185	89,185	88,645	(540)
<b><u>FUND BALANCES, ENDING</u></b>	\$ -	\$ -	\$ 85,909	\$ 85,909

**CITY OF HERMISTON, OREGON**

**911 Communications Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget (Non-GAAP Budgetary Basis) and Actual**

**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b><u>REVENUES:</u></b>				
911 communications tax	<u>\$ 110,000</u>	<u>\$ 110,000</u>	<u>\$ 120,827</u>	<u>\$ 10,827</u>
<b><u>EXPENDITURES:</u></b>				
Current:				
Public safety:				
Personal services	647,375	647,375	553,607	93,768
Materials and services	42,650	42,650	35,467	7,183
Capital outlay	800	800	608	192
Total expenditures	<u>690,825</u>	<u>690,825</u>	<u>589,682</u>	<u>101,143</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES</u></b>				
<b><u>OVER (UNDER) EXPENDITURES</u></b>	<u>(580,825)</u>	<u>(580,825)</u>	<u>(468,855)</u>	<u>111,970</u>
<b><u>OTHER FINANCING SOURCES</u></b>				
<b><u>(USES):</u></b>				
Transfers in	<u>580,825</u>	<u>580,825</u>	<u>468,855</u>	<u>(111,970)</u>
<b><u>NET CHANGE IN FUND BALANCES</u></b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>FUND BALANCES, BEGINNING</u></b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>FUND BALANCES, ENDING</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF HERMISTON, OREGON**

**Law Enforcement Reserve Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget (Non-GAAP Budgetary Basis) and Actual**

**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b><u>REVENUES:</u></b>				
Fines and forfeits	\$ -	\$ -	\$ 10,252	\$ 10,252
Grants and contributions	-	-	65,696	65,696
	<u>-</u>	<u>-</u>	<u>75,948</u>	<u>75,948</u>
<b><u>EXPENDITURES:</u></b>				
Current:				
Public safety:				
Materials and services	30,000	30,000	26,507	3,493
Capital outlay	16,520	16,520	45,580	(29,060)
Total expenditures	<u>46,520</u>	<u>46,520</u>	<u>72,087</u>	<u>(25,567)</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES</u></b>				
<b><u>OVER (UNDER) EXPENDITURES</u></b>				
	(46,520)	(46,520)	3,861	50,381
<b><u>FUND BALANCES, BEGINNING</u></b>				
	<u>46,520</u>	<u>46,520</u>	<u>56,722</u>	<u>10,202</u>
<b><u>FUND BALANCES, ENDING</u></b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,583</u>	<u>\$ 60,583</u>

**CITY OF HERMISTON, OREGON**

**Library Reserve Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget (Non-GAAP Budgetary Basis) and Actual**

**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b><u>REVENUES:</u></b>				
Grants and contributions	\$ -	\$ -	\$ 19,200	\$ 19,200
Miscellaneous income	-	-	28,878	28,878
	<u>-</u>	<u>-</u>	<u>48,078</u>	<u>48,078</u>
<b><u>EXPENDITURES:</u></b>				
Current:				
Culture and recreation:				
Materials and services	<u>78,850</u>	<u>78,850</u>	<u>50,298</u>	<u>28,552</u>
Total expenditures	<u>78,850</u>	<u>78,850</u>	<u>50,298</u>	<u>28,552</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES</u></b>				
<b><u>OVER (UNDER) EXPENDITURES</u></b>	(78,850)	(78,850)	(2,220)	76,630
<b><u>FUND BALANCES, BEGINNING</u></b>	<u>78,850</u>	<u>78,850</u>	<u>71,360</u>	<u>(7,490)</u>
<b><u>FUND BALANCES, ENDING</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,140</u>	<u>\$ 69,140</u>

**CITY OF HERMISTON, OREGON**

**Bonded Debt Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget (Non-GAAP Budgetary Basis) and Actual**

**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES:</u></b>				
Property taxes	\$ 363,555	\$ 363,555	\$ 374,078	\$ 10,523
Miscellaneous income	-	-	33,736	33,736
Total revenues	<u>363,555</u>	<u>363,555</u>	<u>407,814</u>	<u>44,259</u>
<b><u>EXPENDITURES:</u></b>				
Debt service:				
2003 pool bonds				
Principal	45,000	45,000	45,000	-
Interest	145,985	145,985	145,981	4
Total expenditures	<u>190,985</u>	<u>190,985</u>	<u>190,981</u>	<u>4</u>
<b><u>EXCESS OF REVENUES OVER EXPENDITURES</u></b>				
	<u>172,570</u>	<u>172,570</u>	<u>216,833</u>	<u>44,263</u>
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Transfers in:				
Utility fund (for debt service)	323,165	323,165	323,050	(115)
Energy fund (for debt service)	745,090	745,090	745,089	(1)
General fund (for debt service)	190,985	190,985	190,981	(4)
Debt service (for utility funds):				
Business Oregon	(9,890)	(9,890)	(9,884)	6
Principal:				
2000 regional water bonds	(170,000)	(170,000)	(170,000)	-
2005 Hermiston Energy Service bonds	(180,000)	(180,000)	(180,000)	-
2007 utility refunding bonds	(236,135)	(236,135)	(236,134)	1
Interest:				
2000 regional water bonds	(191,555)	(191,555)	(191,555)	-
2005 Hermiston Energy Service bonds	(565,090)	(565,090)	(565,089)	1
2007 utility refunding bonds	(77,140)	(77,140)	(77,032)	108
Total other financing sources (uses)	<u>(170,570)</u>	<u>(170,570)</u>	<u>(170,574)</u>	<u>(4)</u>
<b><u>NET CHANGE IN FUND BALANCES</u></b>	<u>2,000</u>	<u>2,000</u>	<u>46,259</u>	<u>44,259</u>
<b><u>FUND BALANCES, BEGINNING</u></b>	<u>-</u>	<u>-</u>	<u>149,855</u>	<u>149,855</u>
<b><u>FUND BALANCES, ENDING</u></b>	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 196,114</u>	<u>\$ 194,114</u>

**CITY OF HERMISTON, OREGON**

**Utility Fund**

**Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget (Non-GAAP Budgetary Basis) and Actual**

**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>			Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<b><u>REVENUES:</u></b>				
Charges for services				
Water	\$ 1,924,000	\$ 1,924,000	\$ 2,237,759	\$ 313,759
Sewer	1,486,000	1,486,000	1,833,444	347,444
Bond assessments	13,000	13,000	25,617	12,617
Investment interest	13,000	13,000	13,085	85
Total revenues	<u>3,436,000</u>	<u>3,436,000</u>	<u>4,109,905</u>	<u>673,905</u>
<b><u>EXPENDITURES:</u></b>				
Personal services	1,721,155	1,721,155	1,664,965	56,190
Materials and services	1,055,660	1,083,660	956,678	126,982
Total expenditures	<u>2,776,815</u>	<u>2,804,815</u>	<u>2,621,643</u>	<u>183,172</u>
<b><u>EXCESS OF REVENUES OVER EXPENDITURES</u></b>				
	<u>659,185</u>	<u>631,185</u>	<u>1,488,262</u>	<u>857,077</u>
<b><u>TRANSFERS OUT:</u></b>				
Bonded debt fund	(323,170)	(323,170)	(323,050)	120
WWTP construction fund	-	-	-	-
Reserve fund	(336,015)	(336,015)	(336,015)	-
Total transfers out	<u>(659,185)</u>	<u>(659,185)</u>	<u>(659,065)</u>	<u>120</u>
<b><u>NET CHANGE IN FUND BALANCES</u></b>				
	-	(28,000)	829,197	857,197
<b><u>FUND BALANCES, BEGINNING</u></b>				
	-	28,000	1,782,376	1,754,376
<b><u>FUND BALANCES, ENDING</u></b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,611,573</u>	<u>\$ 2,611,573</u>

**CITY OF HERMISTON, OREGON**

**Energy Fund**

**Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget (Non-GAAP Budgetary Basis) and Actual**

**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts	Final Budget- Positive (Negative)
<b><u>REVENUES:</u></b>				
Charges for services	\$ 7,350,000	\$ 7,350,000	\$ 7,331,855	\$ (18,145)
Miscellaneous	37,600	37,600	36,879	(721)
Investment interest	6,500	6,500	8,529	2,029
Total revenues	<u>7,394,100</u>	<u>7,394,100</u>	<u>7,377,263</u>	<u>(16,837)</u>
<b><u>EXPENDITURES:</u></b>				
Personal services	236,100	236,100	225,219	10,881
Materials and services	5,974,670	6,049,670	5,634,769	414,901
Capital outlay	400,000	400,000	359,875	40,125
Total expenditures	<u>6,610,770</u>	<u>6,685,770</u>	<u>6,219,863</u>	<u>465,907</u>
<b><u>EXCESS OF REVENUES OVER EXPENDITURES</u></b>				
	783,330	708,330	1,157,400	449,070
<b><u>TRANSFERS OUT</u></b>				
	<u>(783,330)</u>	<u>(783,330)</u>	<u>(783,329)</u>	<u>1</u>
<b><u>NET CHANGE IN FUND BALANCE</u></b>				
	-	(75,000)	374,071	449,071
<b><u>FUND BALANCES, BEGINNING</u></b>				
	-	75,000	3,741,242	3,666,242
<b><u>FUND BALANCES, ENDING</u></b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,115,313</u>	<u>\$ 4,115,313</u>

**CITY OF HERMISTON, OREGON**

**Regional Water Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget (Non-GAAP Budgetary Basis) and Actual**

**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES:</u></b>				
Charges for services	<u>\$ 515,000</u>	<u>\$ 515,000</u>	<u>\$ 545,900</u>	<u>\$ 30,900</u>
<b><u>EXPENDITURES:</u></b>				
Personal services	<u>144,150</u>	<u>144,150</u>	<u>138,404</u>	<u>5,746</u>
Materials and services	<u>358,800</u>	<u>358,800</u>	<u>322,479</u>	<u>36,321</u>
Total expenditures	<u>502,950</u>	<u>502,950</u>	<u>460,883</u>	<u>42,067</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u></b>	<u>12,050</u>	<u>12,050</u>	<u>85,017</u>	<u>72,967</u>
<b><u>TRANSFERS OUT</u></b>	<u>(12,050)</u>	<u>(12,050)</u>	<u>(12,050)</u>	<u>-</u>
<b><u>NET CHANGE IN FUND BALANCE</u></b>	<u>-</u>	<u>-</u>	<u>72,967</u>	<u>72,967</u>
<b><u>FUND BALANCES, BEGINNING</u></b>	<u>-</u>	<u>-</u>	<u>728,459</u>	<u>728,459</u>
<b><u>FUND BALANCES, ENDING</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 801,426</u>	<u>\$ 801,426</u>

**CITY OF HERMISTON, OREGON**

**WWTP Construction Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget (Non-GAAP Budgetary Basis) and Actual**

**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ 500</u>
<b><u>EXPENDITURES:</u></b>				
Materials and services	2,500,000	2,500,000	-	2,500,000
Capital outlay	24,500,000	24,500,000	614,673	23,885,327
Total expenditures	<u>27,000,000</u>	<u>27,000,000</u>	<u>614,673</u>	<u>26,385,327</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u></b>	<u>(27,000,000)</u>	<u>(27,000,000)</u>	<u>(614,173)</u>	<u>26,385,827</u>
<b><u>OTHER FINANCING SOURCES:</u></b>				
Loan proceeds	<u>27,000,000</u>	<u>27,000,000</u>	<u>429,164</u>	<u>(26,570,836)</u>
<b><u>NET CHANGE IN FUND BALANCES</u></b>	<u>-</u>	<u>-</u>	<u>(185,009)</u>	<u>(185,009)</u>
<b><u>FUND BALANCES, BEGINNING</u></b>	<u>-</u>	<u>-</u>	<u>(784,159)</u>	<u>(784,159)</u>
<b><u>FUND BALANCES, ENDING</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (969,168)</u>	<u>\$ (969,168)</u>

**CITY OF HERMISTON**

**Reconciliation of GAAP Basis Revenues, Expenditures and Fund Equity to  
Budgetary Basis Revenues, Expenditures and Fund Equity**

**For the Year Ended June 30, 2011**

The City uses a non-GAAP budgetary basis as described in note 2 to the basic financial statements. This schedule provides a reconciliation between GAAP basis fund financial statements and the non-GAAP budgetary basis.

	General Fund	Reserve Fund	Bonded Debt Fund	Law Enforcement Reserve Fund	Energy Fund	Utility Fund	Regional Water Fund	WWTP Construction Fund	Revolving Loan Fund
<b><u>GAAP BASIS FUND BALANCES</u></b>	\$ 5,077,820	\$ 3,532,632	\$ 201,467	\$ 25,733	\$ 3,739,366	\$ 13,711,934	\$ 3,522,660	\$ 298,629	\$ 73,862
<b><u>ADD (DEDUCT):</u></b>									
Accounts receivable	(582,586)	-	(33,456)	-	(578,151)	(554,745)	(37,295)	-	(1,339,094)
Receivable due to other entities	-	-	-	-	-	122,781	-	-	-
Accrued interest	-	-	-	-	140,484	41,402	78,097	-	-
Encumbrances payable	(30,000)	(168,522)	-	-	-	-	-	-	-
Deferred revenue	331,182	-	28,103	34,850	-	-	-	-	1,290,394
Capital assets	-	-	-	-	(11,463,424)	(12,484,053)	(6,217,036)	(3,349,128)	-
Long term debt	-	-	-	-	12,278,827	1,707,409	3,455,000	2,081,331	-
Unrealized investment (gains) or losses	(5,656)	(1,182)	-	-	(1,789)	54	-	-	-
Compensated absences	-	-	-	-	-	66,791	-	-	-
<b><u>BUDGETARY BASIS FUND BALANCES</u></b>	<b><u>\$ 4,790,760</u></b>	<b><u>\$ 3,362,928</u></b>	<b><u>\$ 196,114</u></b>	<b><u>\$ 60,583</u></b>	<b><u>\$ 4,115,313</u></b>	<b><u>\$ 2,611,573</u></b>	<b><u>\$ 801,426</u></b>	<b><u>\$ (969,168)</u></b>	<b><u>\$ 25,162</u></b>
<b><u>GAAP BASIS NET CHANGE IN FUND BALANCES</u></b>	\$ 1,057,966	\$ 165,558	\$ 46,521	\$ 3,861	\$ 457,374	\$ 862,227	\$ 60,639	\$ 500	\$ 609
<b><u>ADD (DEDUCT):</u></b>									
Change in accounts receivable	(94,197)	-	(1,636)	-	(64,315)	(38,087)	9,726	-	35,923
Change in accrued interest	-	-	-	-	(1,575)	10,958	(3,431)	-	-
Change in encumbrances payable	(30,000)	(168,522)	-	-	-	-	-	-	-
Change in deferred revenue and accrued liabilities	7,580	-	1,374	-	-	-	-	-	-
Change in capital assets	-	-	-	-	105,722	227,762	176,033	(614,673)	-
Change in long term debt	-	-	-	-	(125,407)	(231,363)	(170,000)	429,164	-
Change in unrealized gains or losses	570	1,283	-	-	2,272	1,261	-	-	-
Change in compensated absences	-	-	-	-	-	(3,561)	-	-	-
<b><u>BUDGETARY BASIS NET CHANGE IN FUND BALANCES</u></b>	<b><u>\$ 941,919</u></b>	<b><u>\$ (1,681)</u></b>	<b><u>\$ 46,259</u></b>	<b><u>\$ 3,861</u></b>	<b><u>\$ 374,071</u></b>	<b><u>\$ 829,197</u></b>	<b><u>\$ 72,967</u></b>	<b><u>\$ (185,009)</u></b>	<b><u>\$ 36,532</u></b>

**CITY OF HERMISTON, OREGON**

**Schedule of Property Tax Transactions and Outstanding Balances**  
**For the Year Ended June 30, 2011**

<u>Fiscal Year</u>	<u>Property Taxes Receivable June 30, 2010</u>	<u>Current Levy as Extended by Assessor</u>	<u>Discounts Allowed</u>	<u>Corrections and Adjustments</u>	<u>Interest Collected</u>	<u>Cash Collections</u>	<u>Property Taxes Receivable June 30, 2011</u>
2010-11	\$ -	\$ 4,938,735	\$ (122,305)	\$ (39,554)	\$ 3,844	\$ (4,586,786)	\$ 193,934
2009-10	215,630	-	-	(2,420)	4,959	(93,025)	125,144
2008-09	111,830	-	-	(330)	5,957	(48,024)	69,433
2007-08	63,420	-	-	(188)	7,080	(38,021)	32,291
2006-07	19,014	-	-	(147)	4,413	(20,621)	2,659
2005-06 and prior	7,167	-	-	(202)	1,340	(4,046)	4,259
Totals	<u>\$ 417,061</u>	<u>\$ 4,938,735</u>	<u>\$ (122,305)</u>	<u>\$ (42,841)</u>	<u>\$ 27,593</u>	<u>\$ (4,790,523)</u>	<u>\$ 427,720</u>

**CITY OF HERMISTON, OREGON**  
**Schedule of Future Debt Service Requirements**  
**Of Bonds Payable**  
**June 30, 2011**

Maturing during Year Ending June 30,	2000		2003		2005		2007		Total	
	Water Refunding Bonds		Pool Bonds		Energy System Revenue Bonds		Utility Refunding Bonds			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 180,000	\$ 183,023	\$ 55,000	\$ 144,363	\$ 200,000	\$ 558,239	\$ 248,510	\$ 67,455	\$ 683,510	\$ 953,080
2013	190,000	173,863	60,000	142,391	225,000	550,264	255,469	57,266	730,469	923,784
2014	200,000	164,013	65,000	140,155	250,000	541,114	266,791	46,792	781,791	892,074
2015	210,000	153,452	75,000	137,469	275,000	530,739	277,744	35,853	837,744	857,513
2016	225,000	142,086	80,000	134,369	305,000	518,948	293,314	24,466	903,314	819,869
2017	235,000	129,718	90,000	130,969	330,000	506,058	303,413	12,440	958,413	779,185
2018	250,000	116,380	100,000	127,169	365,000	492,158	-	-	715,000	735,707
2019	260,000	102,355	105,000	123,069	395,000	476,464	-	-	760,000	701,888
2020	275,000	87,643	115,000	118,496	430,000	458,933	-	-	820,000	665,072
2021	290,000	71,960	125,000	113,336	470,000	439,808	-	-	885,000	625,104
2022	310,000	55,160	135,000	107,746	510,000	418,090	-	-	955,000	580,996
2023	325,000	37,380	145,000	101,726	550,000	393,710	-	-	1,020,000	532,816
Later years	505,000	23,660	2,170,000	546,949	8,425,000	2,116,317	-	-	11,100,000	2,686,926
	<u>\$ 3,455,000</u>	<u>\$ 1,440,693</u>	<u>\$ 3,320,000</u>	<u>\$ 2,068,207</u>	<u>\$ 12,730,000</u>	<u>\$ 8,000,842</u>	<u>\$ 1,645,241</u>	<u>\$ 244,272</u>	<u>\$21,150,241</u>	<u>\$11,754,014</u>

**CITY OF HERMISTON, OREGON**

**Schedule of Long-Term Debt Transactions**  
**For the Year Ended June 30, 2011**

	Interest Rate	PRINCIPAL TRANSACTIONS				INTEREST TRANSACTIONS			
		Outstanding June 30, 2010	New Debt Issued	Matured During Year	Outstanding June 30, 2011	Matured and Outstanding June 30, 2010	Matured During Year	Paid During Year	Matured and Outstanding June 30, 2011
<b><u>BONDS PAYABLE:</u></b>									
2000 Water Refunding Bonds*	4.75%-5.6%	3,625,000	-	170,000	3,455,000	-	191,555	191,555	-
2003 Pool Bonds*	2.0%-4.625%	3,365,000	-	45,000	3,320,000	-	145,981	145,981	-
2005 Energy System Revenue Bonds	3.35%-4.60%	12,910,000	-	180,000	12,730,000	-	565,089	565,089	-
2007 Utility Refunding Bonds	4.10%	1,881,375	-	236,134	1,645,241	-	77,136	77,136	-
		<u>\$21,781,375</u>	<u>\$ -</u>	<u>\$ 631,134</u>	<u>\$21,150,241</u>	<u>\$ -</u>	<u>\$ 979,761</u>	<u>\$ 979,761</u>	<u>\$ -</u>

\* -- general obligation bonds

**CITY OF HERMISTON, OREGON**

**Annual Accounting of System Development Charges**

**For the Year Ended June 30, 2011**

	<u>Water System</u>	<u>Wastewater System</u>	<u>Parks System</u>
<b><u>BALANCE, JUNE 30, 2010</u></b>	\$ 737,028	\$ 76,761	\$ 36,200
<b><u>REVENUES:</u></b>			
System development charges collected	14,874	8,893	12,000
<b><u>EXPENDITURES:</u></b>			
Reimbursement of capital improvements	<u>(24,211)</u>	<u>-</u>	<u>(27,025)</u>
<b><u>BALANCE, JUNE 30, 2011</u></b>	<u>\$ 727,691</u>	<u>\$ 85,654</u>	<u>\$ 21,175</u>

Notes:

- A. The City accounts for system development charges in the Reserve Fund (A City special revenue fund).
- B. This schedule is prepared to satisfy ORS 223.311 which requires an annual accounting of system development charges.

**CAPITAL ASSETS USED IN THE OPERATION**  
**OF GOVERNMENTAL FUNDS**

**CITY OF HERMISTON, OREGON**

**Capital Assets Used in the Operation of Governmental Activities**  
**Schedule By Function and Activity**  
**June 30, 2011**

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Machinery and Equipment</u>	<u>Infrastructure</u>	<u>Total</u>
General government:					
City hall	\$ 91,500	\$ 500,000	\$ 322,673	\$ -	\$ 914,173
Airport	498,579	1,719,723	59,427	-	2,277,729
Parking	494,380	-	-	-	494,380
Inspections	-	11,820	42,075	-	53,895
Other - unclassified	221,730	710,981	-	-	932,711
	<u>1,306,189</u>	<u>2,942,524</u>	<u>424,175</u>	<u>-</u>	<u>4,672,888</u>
Public safety:					
Police	<u>24,820</u>	<u>836,578</u>	<u>771,090</u>	<u>-</u>	<u>1,632,488</u>
Highway and streets:					
Maintenance	62,461	367,650	709,619	-	1,139,730
Street system	-	-	-	14,930,491	14,930,491
	<u>62,461</u>	<u>367,650</u>	<u>709,619</u>	<u>14,930,491</u>	<u>16,070,221</u>
Culture and recreation:					
Aquatic center	-	3,809,971	24,262	-	3,834,233
Library	8,500	784,269	30,868	-	823,637
Parks	758,700	1,485,639	297,689	-	2,542,028
CRC community building	3,000	294,393	-	-	297,393
Community center building	45,000	1,509,879	7,495	-	1,562,374
	<u>815,200</u>	<u>7,884,151</u>	<u>360,314</u>	<u>-</u>	<u>9,059,665</u>
Total governmental funds capital assets	<u>\$ 2,208,670</u>	<u>\$ 12,030,903</u>	<u>\$ 2,265,198</u>	<u>\$ 14,930,491</u>	<u>\$ 31,435,262</u>

**CITY OF HERMISTON, OREGON**

**Capital Assets Used in the Operation of Governmental Activities**  
**Comparative Schedules By Source**

**June 30, 2011 and 2010**

	June 30,	
	<u>2011</u>	<u>2010</u>
<b><u>GOVERNMENTAL FUNDS CAPITAL ASSETS:</u></b>		
Land	\$ 2,208,670	\$ 2,208,670
Buildings and improvements	12,019,380	12,019,380
Machinery and equipment	2,265,198	2,316,920
Infrastructure	14,930,491	14,712,121
Construction in progress	<u>11,523</u>	<u>-</u>
Total governmental funds capital assets	<u>\$ 31,435,262</u>	<u>\$ 31,257,091</u>
 <b><u>INVESTMENT IN GOVERNMENTAL FUND</u></b>		
<b><u>CAPITAL ASSETS BY SOURCE:</u></b>		
Unsegregated amounts, prior years	\$ 16,899,806	\$ 17,098,180
General fund	3,554,543	3,504,490
Special revenue funds	5,453,953	5,127,461
Capital project funds	5,456,960	5,456,960
Donations	<u>70,000</u>	<u>70,000</u>
Total governmental funds capital assets	<u>\$ 31,435,262</u>	<u>\$ 31,257,091</u>

**CITY OF HERMISTON, OREGON**

**Capital Assets Used in the Operation of Governmental Activities**  
**Schedule of Changes By Function and Activity**

**For the Year Ended June 30, 2011**

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Governmental Funds Capital Assets June 30, 2011</u>
General government:				
City hall	\$ 897,579	\$ 16,594	\$ -	\$ 914,173
Airport	2,277,729	-	-	2,277,729
Parking	494,380	-	-	494,380
Inspections	53,895	-	-	53,895
Other - unclassified	932,711	-	-	932,711
	<u>4,656,294</u>	<u>16,594</u>	<u>-</u>	<u>4,672,888</u>
Public safety:				
Police	<u>1,586,724</u>	<u>95,633</u>	<u>(49,869)</u>	<u>1,632,488</u>
Highways and streets:				
Maintenance	1,288,235	-	(148,505)	1,139,730
Infrastructure	14,712,121	218,370	-	14,930,491
	<u>16,000,356</u>	<u>218,370</u>	<u>(148,505)</u>	<u>16,070,221</u>
Culture and recreation:				
Aquatic center	3,834,233	-	-	3,834,233
Library	823,637	-	-	823,637
Parks	2,496,080	45,948	-	2,542,028
CRC community building	297,393	-	-	297,393
Community center building	1,562,374	-	-	1,562,374
	<u>9,013,717</u>	<u>45,948</u>	<u>-</u>	<u>9,059,665</u>
Total governmental funds capital assets	<u>\$ 31,257,091</u>	<u>\$ 376,545</u>	<u>\$ (198,374)</u>	<u>\$ 31,435,262</u>

**STATISTICAL SECTION**

**CITY OF HERMISTON, OREGON**

**STATISTICAL SECTION CONTENTS**

**June 30, 2011**

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

	<u>Pages</u>
<b><u>Financial Trends</u></b>	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	87-91
<b><u>Revenue Capacity</u></b>	
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	92-95
<b><u>Debt Capacity</u></b>	
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 in the future.	96-99
<b><u>Demographic and Economic Information</u></b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	100-102
<b><u>Operating Information</u></b>	
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.	103-106

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The city implemented GASB Statement 34 in 2004; schedules presenting government-wide information include information beginning in that year.

**CITY OF HERMISTON, OREGON**

**NET ASSETS BY COMPONENT**

**Last Eight Fiscal Years**

**(Accrual Basis of Accounting)**

**June 30, 2011**

	Fiscal Year							
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b><u>GOVERNMENTAL ACTIVITIES:</u></b>								
Invested in capital assets, net of related debt	\$ 10,134,287	\$ 10,528,230	\$ 11,044,310	\$ 10,154,901	\$ 10,131,151	\$ 9,884,805	\$ 9,960,778	\$ 9,324,856
Restricted	3,008,653	1,464,314	-	-	163,822	205,077	327,059	420,776
Unrestricted	<u>6,863,876</u>	<u>6,952,059</u>	<u>6,954,921</u>	<u>7,695,156</u>	<u>6,954,122</u>	<u>7,290,425</u>	<u>8,070,552</u>	<u>9,647,493</u>
Total governmental activities net assets	<u>20,006,816</u>	<u>18,944,603</u>	<u>17,999,231</u>	<u>17,850,057</u>	<u>17,249,095</u>	<u>17,380,307</u>	<u>18,358,389</u>	<u>19,393,125</u>
<b><u>BUSINESS-TYPE ACTIVITIES:</u></b>								
Invested in capital assets, net of related debt	13,755,811	13,514,719	13,354,046	12,732,231	11,882,356	11,322,943	10,976,902	9,903,186
Restricted	-	-	-	-	-	-	-	-
Unrestricted	<u>7,516,778</u>	<u>6,377,130</u>	<u>5,118,808</u>	<u>4,329,193</u>	<u>4,549,326</u>	<u>4,270,931</u>	<u>3,501,577</u>	<u>2,879,449</u>
Total business-type activities net assets	<u>21,272,589</u>	<u>19,891,849</u>	<u>18,472,854</u>	<u>17,061,424</u>	<u>16,431,682</u>	<u>15,593,874</u>	<u>14,478,479</u>	<u>12,782,635</u>
<b><u>TOTAL GOVERNMENT:</u></b>								
Invested in capital assets, net of related debt	23,890,098	24,042,949	24,398,356	22,887,132	22,013,507	21,207,748	20,937,680	19,228,042
Restricted	3,008,653	1,464,314	-	-	163,822	205,077	327,059	420,776
Unrestricted	<u>14,380,654</u>	<u>13,329,189</u>	<u>12,073,729</u>	<u>12,024,349</u>	<u>11,503,448</u>	<u>11,561,356</u>	<u>11,572,129</u>	<u>12,526,942</u>
Total government net assets	<u>\$ 41,279,405</u>	<u>\$ 38,836,452</u>	<u>\$ 36,472,085</u>	<u>\$ 34,911,481</u>	<u>\$ 33,680,777</u>	<u>\$ 32,974,181</u>	<u>\$ 32,836,868</u>	<u>\$ 32,175,760</u>

**CITY OF HERMISTON, OREGON**

**CHANGES IN NET ASSETS**

**Last Eight Fiscal Years**  
**(Accrual Basis of Accounting)**

**June 30, 2011**

	Fiscal Year							
	2011	2010	2009	2008	2007	2006	2005	2004
<b><u>EXPENSES</u></b>								
Governmental activities:								
General government	\$ 2,119,150	\$ 2,143,638	\$ 2,738,726	\$ 2,205,586	\$ 2,006,173	\$ 1,991,504	\$ 2,184,415	\$ 2,270,000
Public safety	3,296,096	3,354,236	3,500,312	3,252,838	3,092,095	2,978,182	2,521,609	2,489,238
Highways and streets	946,193	1,069,663	1,152,628	1,195,630	1,126,117	1,136,532	1,012,189	897,918
Economic development	15,500	129,900	93,848	55,184	-	-	-	-
Cultural and recreation	2,471,410	2,526,414	2,566,970	2,472,003	2,479,135	2,360,265	1,878,464	1,234,204
Interest on long-term debt	145,981	147,203	148,356	149,829	157,475	158,624	130,450	172,979
Total governmental activities expenses	<u>8,994,330</u>	<u>9,371,054</u>	<u>10,200,840</u>	<u>9,331,070</u>	<u>8,860,995</u>	<u>8,625,107</u>	<u>7,727,127</u>	<u>7,064,339</u>
Business-type activities:								
Water	2,776,865	2,404,046	2,565,373	2,631,598	2,640,632	2,438,335	2,525,746	2,252,355
Sewer	1,407,654	1,471,120	1,689,890	1,555,313	1,634,939	1,600,498	1,580,785	1,613,125
Electric	6,600,863	6,562,822	6,270,607	6,397,294	6,559,288	6,340,380	6,129,914	6,251,921
Total business-type activities net assets	<u>10,785,382</u>	<u>10,437,988</u>	<u>10,525,870</u>	<u>10,584,205</u>	<u>10,834,859</u>	<u>10,379,213</u>	<u>10,236,445</u>	<u>10,117,401</u>
Total government expenses	<u>\$ 19,779,712</u>	<u>\$ 19,809,042</u>	<u>\$ 20,726,710</u>	<u>\$ 19,915,275</u>	<u>\$ 19,695,854</u>	<u>\$ 19,004,320</u>	<u>\$ 17,963,572</u>	<u>\$ 17,181,740</u>
<b><u>PROGRAM REVENUES</u></b>								
Governmental Activities:								
Charges for services:								
General government	\$ 665,312	\$ 987,958	\$ 1,013,349	\$ 646,032	\$ 1,074,679	\$ 1,093,736	\$ 1,301,116	\$ 1,126,180
Public safety	819,888	825,617	681,836	644,475	104,110	110,257	-	52,255
Cultural and recreation	638,879	617,699	405,375	572,890	533,716	501,993	338,776	149,027
Operating grants and contributions	503,157	231,061	225,092	130,437	154,949	92,995	118,356	83,870
Capital grants and contributions	199,858	236,413	1,194,254	322,692	387,466	-	252,821	191,749
Total governmental activities program revenues	<u>2,827,094</u>	<u>2,898,748</u>	<u>3,519,906</u>	<u>2,316,526</u>	<u>2,254,920</u>	<u>1,798,981</u>	<u>2,011,069</u>	<u>1,603,081</u>
Business-type activities:								
Charges for services:								
Water	2,759,962	2,824,003	2,572,545	2,387,265	2,414,327	2,297,579	2,414,322	2,451,824
Sewer	1,831,485	1,702,048	1,564,185	1,450,424	1,453,170	1,418,119	1,416,865	1,363,445
Electric	7,331,855	7,346,110	7,462,325	7,252,122	7,217,117	7,300,481	6,920,377	6,923,223
Capital Grants and Contributions	-	-	-	-	-	-	75,000	-
Total business-type activities program revenues	<u>11,923,302</u>	<u>11,872,161</u>	<u>11,599,055</u>	<u>11,089,811</u>	<u>11,084,614</u>	<u>11,016,179</u>	<u>10,826,564</u>	<u>10,738,492</u>
Total government program revenues	<u>\$ 14,750,396</u>	<u>\$ 14,770,909</u>	<u>\$ 15,118,961</u>	<u>\$ 13,406,337</u>	<u>\$ 13,339,534</u>	<u>\$ 12,815,160</u>	<u>\$ 12,837,633</u>	<u>\$ 12,341,573</u>

**CITY OF HERMISTON, OREGON**

**CHANGES IN NET ASSETS**

**Last Eight Fiscal Years**

**(Accrual Basis of Accounting)**

**June 30, 2011**

	Fiscal Year							
	2011	2010	2009	2008	2007	2006	2005	2004
<b><u>NET (EXPENSE) REVENUE</u></b>								
Governmental activities	\$ (6,167,236)	\$ (6,472,306)	\$ (6,680,934)	\$ (7,014,544)	\$ (6,606,075)	\$ (6,826,126)	\$ (5,716,058)	\$ (5,461,258)
Business-type activities	1,137,920	1,434,173	1,073,185	505,606	249,755	636,966	590,119	621,091
Total government expenses	<u>\$ (5,029,316)</u>	<u>\$ (5,038,133)</u>	<u>\$ (5,607,749)</u>	<u>\$ (6,508,938)</u>	<u>\$ (6,356,320)</u>	<u>\$ (6,189,160)</u>	<u>\$ (5,125,939)</u>	<u>\$ (4,840,167)</u>
<b><u>GENERAL REVENUES AND OTHER</u></b>								
<b><u>CHANGES IN NET ASSETS</u></b>								
Governmental activities								
Taxes								
Property taxes	\$ 4,793,881	\$ 4,766,382	\$ 4,436,803	\$ 4,253,304	\$ 3,847,564	\$ 3,304,130	\$ 3,122,922	\$ 2,953,977
Transient room taxes	364,064	363,115	339,377	320,022	313,442	300,436	275,625	264,908
Franchise fee	389,756	412,427	508,594	424,780	438,831	393,501	363,315	284,502
911 taxes	120,827	122,544	138,996	172,219	-	-	-	-
Motor fuel taxes	780,571	667,479	615,027	682,152	712,278	721,384	707,943	633,688
State shared taxes	354,712	314,791	334,322	330,842	389,446	427,229	389,551	368,581
Interest and investment earnings	14,570	10,873	52,759	203,167	349,544	272,280	112,122	75,017
Other revenues	439,541	578,011	618,458	708,055	785,148	712,022	663,458	626,054
Gain (loss) on sale of capital assets	-	-	-	-	(11,096)	901	-	-
Transfers	(28,473)	182,056	(214,228)	520,965	(350,294)	(283,839)	(953,614)	1,051,945
Total governmental activities	<u>7,229,449</u>	<u>7,417,678</u>	<u>6,830,108</u>	<u>7,615,506</u>	<u>6,474,863</u>	<u>5,848,044</u>	<u>4,681,322</u>	<u>6,258,672</u>
Business-type activities:								
Interest and investment earnings	18,027	21,272	56,744	174,581	167,017	117,281	56,794	55,820
Other revenues	196,320	145,606	67,273	84,906	70,742	77,309	95,317	66,565
Transfers	28,473	(182,056)	214,228	(520,965)	350,294	283,839	953,614	(1,051,945)
Extraordinary items	-	-	-	385,614	-	-	-	-
Total business-type activities	<u>242,820</u>	<u>(15,178)</u>	<u>338,245</u>	<u>124,136</u>	<u>588,053</u>	<u>478,429</u>	<u>1,105,725</u>	<u>(929,560)</u>
Total government	<u>7,472,269</u>	<u>7,402,500</u>	<u>7,168,353</u>	<u>7,739,642</u>	<u>7,062,916</u>	<u>6,326,473</u>	<u>5,787,047</u>	<u>5,329,112</u>
<b><u>CHANGE IN NET ASSETS</u></b>								
Governmental activities	1,062,213	945,372	149,174	600,962	(131,212)	(978,082)	(1,034,736)	797,414
Business-type activities	1,380,740	1,418,995	1,411,430	629,742	837,808	1,115,395	1,695,844	(308,469)
Total government	<u>\$ 2,442,953</u>	<u>\$ 2,364,367</u>	<u>\$ 1,560,604</u>	<u>\$ 1,230,704</u>	<u>\$ 706,596</u>	<u>\$ 137,313</u>	<u>\$ 661,108</u>	<u>\$ 488,945</u>

**CITY OF HERMISTON, OREGON**

**Fund Balances, Governmental Funds**  
**Last Eight Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

	Fiscal Year							
	2011	2010	2009	2008	2007	2006	2005	2004
<b><u>GENERAL FUND</u></b>								
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 100,000	\$ -	\$ 141,980	\$ 50,001
Unreserved	-	4,019,854	2,795,028	3,514,949	3,345,530	2,855,982	3,288,325	4,105,501
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-
Assigned	55,000	-	-	-	-	-	-	-
Unassigned	5,022,820	-	-	-	-	-	-	-
Total general fund	<u>\$ 5,077,820</u>	<u>\$ 4,019,854</u>	<u>\$ 2,795,028</u>	<u>\$ 3,514,949</u>	<u>\$ 3,445,530</u>	<u>\$ 2,855,982</u>	<u>\$ 3,430,305</u>	<u>\$ 4,155,502</u>
<b><u>ALL OTHER GOVERNMENTAL FUNDS</u></b>								
Reserved	\$ -	\$ 21,366	\$ -	\$ -	\$ 83,900	\$ 39,478	\$ 34,000	\$ 314,172
Unreserved, reported in:								
Special revenue funds	-	4,086,817	3,971,670	4,047,028	3,437,527	4,231,748	4,605,609	5,446,143
Debt service fund	-	154,946	106,557	112,239	109,782	315,749	261,521	134,935
Nonspendable	106,260	-	-	-	-	-	-	-
Restricted	3,010,653	-	-	-	-	-	-	-
Committed	1,560,134	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 4,677,047</u>	<u>\$ 4,263,129</u>	<u>\$ 4,078,227</u>	<u>\$ 4,159,267</u>	<u>\$ 3,631,209</u>	<u>\$ 4,586,975</u>	<u>\$ 4,901,130</u>	<u>\$ 5,895,250</u>

**CITY OF HERMISTON, OREGON**

**Changes in Fund Balances, Governmental Funds**

**Last Eight Fiscal Years**

**(Modified Accrual Basis of Accounting)**

	Fiscal Year							
	2011	2010	2009	2008	2007	2006	2005	2004
<b><u>REVENUES</u></b>								
Property taxes	\$ 4,784,927	\$ 4,749,689	\$ 4,367,388	\$ 4,250,066	\$ 3,847,564	\$ 3,315,851	\$ 3,107,703	\$ 2,951,718
Transient room tax	364,064	363,115	339,377	320,022	313,442	300,436	275,625	264,908
911 tax	120,827	122,544	138,996	172,219	97,111	119,985	133,766	132,314
Franchise fees	389,756	412,427	508,594	424,780	438,831	393,501	363,315	284,502
Intergovernmental	1,135,283	982,270	949,349	1,012,994	1,004,613	1,067,623	1,264,905	1,114,697
Fees, licenses, and permits	5,390	4,580	5,170	5,165	3,165	3,220	2,575	2,305
Fines and forfeits	703,996	821,037	676,666	534,927	521,637	443,636	359,138	363,724
Investment interest	14,455	10,873	52,759	203,167	349,544	272,280	112,122	75,017
Charges for services	1,420,083	1,605,657	1,418,724	1,323,305	1,190,868	1,259,130	1,278,179	963,738
Miscellaneous	1,137,166	1,045,485	2,037,804	1,168,080	1,309,143	781,021	631,458	555,044
Total revenues	<u>10,075,947</u>	<u>10,117,677</u>	<u>10,494,827</u>	<u>9,414,725</u>	<u>9,075,918</u>	<u>7,956,683</u>	<u>7,528,786</u>	<u>6,707,967</u>
<b><u>EXPENDITURES</u></b>								
General government	1,996,038	2,064,450	2,639,777	2,094,823	1,920,337	1,922,393	2,111,943	2,189,074
Public safety	3,218,578	3,273,451	3,405,883	3,116,909	2,997,690	2,897,049	2,474,233	2,445,654
Highway and streets	611,728	715,241	813,932	848,896	813,344	818,743	709,759	598,981
Economic development	15,500	129,900	93,848	55,184	-	-	-	-
Cultural and recreation	2,166,220	2,229,770	2,251,261	2,151,675	2,145,084	2,062,969	1,588,492	1,070,608
Capital outlay	376,545	284,884	1,688,420	788,371	937,742	586,452	1,168,738	3,735,143
Debt service:								
Principal	45,000	45,000	40,000	128,000	118,000	109,000	104,000	146,000
Interest	145,981	147,309	148,439	154,355	159,645	164,716	169,324	174,150
Total expenditures	<u>8,575,590</u>	<u>8,890,005</u>	<u>11,081,560</u>	<u>9,338,213</u>	<u>9,091,842</u>	<u>8,561,322</u>	<u>8,326,489</u>	<u>10,359,610</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES</u></b>								
<b><u>OVER (UNDER) EXPENDITURES</u></b>	<u>1,500,357</u>	<u>1,227,672</u>	<u>(586,733)</u>	<u>76,512</u>	<u>(15,924)</u>	<u>(604,639)</u>	<u>(797,703)</u>	<u>(3,651,643)</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>								
Transfers in	1,530,478	1,312,658	2,208,479	3,106,565	2,481,304	1,707,601	1,932,403	2,484,455
Transfers out	(1,558,951)	(1,130,602)	(2,422,707)	(2,585,600)	(2,831,598)	(1,991,440)	(2,886,017)	(1,432,510)
Sale of capital assets	-	-	-	-	-	-	32,000	104,844
Total other financing sources (uses)	<u>(28,473)</u>	<u>182,056</u>	<u>(214,228)</u>	<u>520,965</u>	<u>(350,294)</u>	<u>(283,839)</u>	<u>(921,614)</u>	<u>1,156,789</u>
<b><u>NET CHANGE IN FUND BALANCES</u></b>	<u>\$ 1,471,884</u>	<u>\$ 1,409,728</u>	<u>\$ (800,961)</u>	<u>\$ 597,477</u>	<u>\$ (366,218)</u>	<u>\$ (888,478)</u>	<u>\$ (1,719,317)</u>	<u>\$ (2,494,854)</u>
Debt service as a percentage of noncapital expenditures	2.33%	2.23%	2.01%	3.30%	3.40%	3.43%	3.82%	4.83%

**CITY OF HERMISTON, OREGON**

**Assessed Value and Estimated Actual Value of Taxable Property,**

**Last Ten Fiscal Years**

<u>Fiscal Year Ended June 30,</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Public Utilities</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Assessed Value as a Percentage of Actual Value</u>
2002	369,571,307	25,331,609	72,830,104	467,733,020	5.64	634,685,027	73.70%
2003	374,233,139	16,523,129	103,272,951	494,029,219	5.62	622,931,342	79.31%
2004	424,744,350	18,103,633	83,395,497	526,243,480	5.78	672,503,213	78.25%
2005	447,643,482	17,018,410	96,679,608	561,341,500	5.76	700,657,519	80.12%
2006	477,280,010	18,529,096	94,188,014	589,997,120	5.73	726,723,326	81.19%
2007	525,823,953	21,005,565	97,853,803	644,683,321	6.26	798,153,424	80.77%
2008	544,366,876	26,971,136	97,903,040	669,241,052	6.59	849,629,524	78.77%
2009	651,671,693	31,370,922	22,111,200	705,153,815	6.57	888,182,617	79.39%
2010	686,490,033	32,572,030	26,156,840	745,218,903	6.61	946,100,371	78.77%
2011	698,940,483	35,383,520	25,742,380	760,066,383	6.60	935,114,360	81.28%

**Source:** Umatilla County

\* Information not available.

**CITY OF HERMISTON, OREGON**

**Property Tax Rates**  
**Direct and Overlapping Governments**  
**(Per \$1,000 of Assessed Value)**

**Last Ten Fiscal Years**

	Fiscal Year Ended June 30,									
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b><u>Direct rates</u></b>										
City of Hermiston general	6.09	6.09	6.09	6.09	6.09	5.08	5.08	5.08	4.89	4.89
City of Hermiston bond	0.51	0.52	0.48	0.50	0.17	0.65	0.68	0.70	0.73	0.75
Total direct rates	<u>6.60</u>	<u>6.61</u>	<u>6.57</u>	<u>6.59</u>	<u>6.26</u>	<u>5.73</u>	<u>5.76</u>	<u>5.78</u>	<u>5.62</u>	<u>5.64</u>
<b><u>Overlapping rates</u></b>										
Umatilla County	3.11	3.11	3.11	3.12	3.14	3.15	3.15	3.20	3.17	3.13
Hermiston School District #8	9.12	9.26	7.40	8.07	7.99	5.96	7.36	7.88	7.09	7.62
Umatilla County E.S.D.	0.56	0.56	0.56	0.56	0.56	0.46	0.46	0.46	0.46	0.46
Blue Mountain Community College	0.97	0.97	0.96	0.99	0.99	0.86	0.84	0.88	0.87	0.89
Port of Umatilla	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15
Hermiston Cemetery District #8	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09
Hermiston Fire and Emergency Services District #7-404	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
West Umatilla Vector Control District	0.29	0.34	0.25	0.25	0.25	0.25	0.20	0.20	0.20	0.20
Total overlapping rates	<u>15.49</u>	<u>15.68</u>	<u>13.72</u>	<u>14.43</u>	<u>14.37</u>	<u>12.12</u>	<u>13.45</u>	<u>14.06</u>	<u>13.23</u>	<u>13.74</u>
<b>Total</b>	<u><u>22.09</u></u>	<u><u>22.29</u></u>	<u><u>20.29</u></u>	<u><u>21.02</u></u>	<u><u>20.63</u></u>	<u><u>17.85</u></u>	<u><u>19.21</u></u>	<u><u>19.84</u></u>	<u><u>18.85</u></u>	<u><u>19.38</u></u>

Information provided by the Umatilla County Assessor's Office.

**CITY OF HERMISTON, OREGON**

**Principal Taxpayers**  
**June 30, 2011**

Taxpayer	Type of Business	2011			2002		
		Rank	Taxable Assessed Valuation	% of City Taxable Assessed Valuation	Rank	Taxable Assessed Valuation	% of City Taxable Assessed Valuation
Wal-Mart Stores East LP	Retailer	1	\$ 28,160,160	3.7%	1	\$ 27,280,340	5.8%
Retail Trust #2	Shopping center	2	9,028,210	1.2%	4	7,962,590	1.7%
HD Development of Maryland, Inc.	Retailer	3	8,777,070	1.2%			
Wal-Mart Property Tax Dept.	Distribution center	4	8,725,230	1.1%			
Good Shepherd Hospital	Medical offices	5	8,581,400	1.1%	6	6,156,906	1.3%
Hermiston Station, LLC	Unknown	6	7,821,680	1.0%			
CMH Manufacturing West, Inc.	Manufacturing plant	7	6,525,940	0.9%			
Umatilla Electric Co-op	Power utility	8	6,511,580	0.9%	9	5,191,230	1.1%
Hermiston Foods LLC	Food processing	9	5,519,740	0.7%	3	7,968,280	1.7%
Qwest, Inc.	Telephone utility	10	5,273,000	0.7%	2	8,960,421	1.9%
Pan Pacific Retail Properties	Shopping center		-		5	7,359,810	1.6%
HBOS Manufacturing	Manufacturing plant		-		10	4,595,380	1.0%
S.R. Innco, Inc.	Apartments		-		8	5,475,660	1.2%
Clay Davis Stroud, LLC	Apartments		-		7	5,999,100	1.3%
			<u>\$ 94,924,010</u>	<u>12.5%</u>		<u>\$ 86,949,717</u>	<u>18.6%</u>

Information provided by the Umatilla County Assessor's Office.

**CITY OF HERMISTON, OREGON**

**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30,	Taxes Levied for the 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
2002	2,637,791	2,448,707	92.8	188,808	2,637,515	100.0 %
2003	2,784,370	2,591,105	93.1	192,882	2,783,987	100.0
2004	3,042,382	2,833,672	93.1	208,331	3,042,003	100.0
2005	3,232,964	2,972,550	91.9	259,731	3,232,281	100.0
2006	3,395,907	3,156,735	93.0	238,085	3,394,820	100.0
2007	3,983,206	3,702,634	93.0	277,913	3,980,547	99.9
2008	4,364,595	4,083,728	93.6	248,576	4,332,304	99.3
2009	4,576,241	4,230,533	92.4	276,275	4,506,808	98.5
2010	4,863,080	4,509,768	92.7	228,168	4,737,936	97.4
2011	4,938,735	4,586,786	92.9	-	4,586,786	92.9

Information provided by Umatilla County Tax Collector's office.

**CITY OF HERMISTON, OREGON**

**Ratios of Outstanding Debt by Type,**  
**Last Ten Fiscal Years**

Fiscal Year	General Bonded Debt		Percentage of Actual Property Value	Per Capita	Business-Type Activities			Total Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Street Revenue Bonds			Revenue Bonds	Refunding Bonds	Notes Payable			
2002	-	492,000	0.08%	36	3,625,000	5,840,000	11,427,472	21,384,472	6.92%	1,577
2003	3,635,000	420,000	0.65%	287	16,415,000	5,575,000	610,862	26,655,862	8.20%	1,888
2004	3,565,000	344,000	0.58%	269	16,205,000	5,295,000	580,782	25,989,782	7.30%	1,787
2005	3,540,000	265,000	0.54%	259	15,985,000	4,980,000	452,948	25,222,948	6.78%	1,716
2006	3,515,000	181,000	0.51%	246	15,980,000	4,650,000	291,452	24,617,452	6.58%	1,638
2007	3,485,000	93,000	0.56%	232	13,210,000	6,837,370	128,299	23,753,669	5.81%	1,541
2008	3,450,000	-	0.52%	219	13,210,000	6,275,262	59,653	22,994,915	4.97%	1,457
2009	3,410,000	-	0.48%	212	13,070,000	5,899,803	21,263	22,401,066	4.61%	1,393
2010	3,365,000	-	0.45%	208	12,910,000	5,506,375	1,728,529	23,509,904	*	1,450
2011	3,320,000	-	0.44%	198	12,730,000	5,100,241	2,151,619	23,301,860	*	1,387

**Note:** Details regarding the City's outstanding debt can be found in the notes to the financial statements.

\* Figure not available

**CITY OF HERMISTON, OREGON**

**Direct and Overlapping Governmental Activities Debt**

**June 30, 2011**

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to City</u>	<u>Amount Applicable to City</u>
<b><u>DIRECT:</u></b>			
City of Hermiston (1)	\$ 3,320,000	100.00%	\$ 3,320,000
<b><u>OVERLAPPING:</u></b>			
Umatilla County	19,365,000	17.32%	3,354,004
School District #8	124,725,468	45.70%	57,004,993
Blue Mountain Community College	15,300,000	17.32%	2,649,949
Total overlapping	<u>159,390,468</u>		<u>63,008,946</u>
Total direct and overlapping	<u>\$ 162,710,468</u>		<u>\$ 66,328,946</u>

(1) Excluding general obligation bonds reported in the enterprise funds.

**CITY OF HERMISTON, OREGON**

**Computation of Legal Debt Margin**

**June 30, 2011**

**Legal Debt Margin Calculation for Fiscal Year 2010**

True cash value	<u>\$935,114,360</u>	
Debt limit (3% of assessed value)		\$28,053,431
Debt applicable to limit:		
Gross bonded debt	\$ 21,150,241	
Less legal deductions:		
Water bonds	(3,455,000)	
Utility bonds	(1,645,241)	
Energy bonds	<u>(12,730,000)</u>	
 Total net debt applicable to limit	 <u>3,320,000</u>	
Legal debt margin		<u>\$24,733,431</u>
Total net debt applicable to the limit as a percentage of debt limit		11.83%

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Debt limit	\$ 14,031,990	\$14,820,876	\$15,787,304	\$16,840,245	\$17,699,914	\$19,340,500	\$20,077,232	\$21,154,614	\$28,383,011
Total net debt applicable to limit	<u>-</u>	<u>3,636,000</u>	<u>3,565,000</u>	<u>3,540,000</u>	<u>3,515,000</u>	<u>3,485,000</u>	<u>3,450,000</u>	<u>3,410,000</u>	<u>3,365,000</u>
Legal debt margin	<u>\$ 14,031,990</u>	<u>\$11,184,876</u>	<u>\$12,222,304</u>	<u>\$13,300,245</u>	<u>\$14,184,914</u>	<u>\$15,855,500</u>	<u>\$16,627,232</u>	<u>\$17,744,614</u>	<u>\$25,018,011</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	24.53%	22.58%	21.02%	19.86%	18.02%	17.18%	16.12%	11.86%

ORS 287.004 provides a debt limit of 3% of the true cash value (market) of all taxable property within the City boundaries.

The true cash value information obtained from Umatilla County Assessor's office.

**CITY OF HERMISTON, OREGON**

**Pledged-Revenue Coverage**  
**Last Ten Fiscal Years**

Fiscal Year	Gross Revenues (1)	Less: Operating Expenses (2)	Net Available Revenues	Debt Service (3)		Coverage
				Principal	Interest	
<b>Utility</b>						
2002	\$ 3,518,065	\$ 2,336,534	\$ 1,181,531	\$ 190,000	\$ 203,090	3.01
2003	3,680,972	2,458,335	1,222,637	200,000	192,640	3.11
2004	3,903,300	2,527,525	1,375,775	210,000	182,840	3.50
2005	3,923,300	2,746,358	1,176,942	220,000	172,445	3.00
2006	3,837,809	2,761,543	1,076,266	225,000	161,445	2.79
2007	4,019,316	3,148,615	870,701	240,000	171,713	2.11
2008	3,995,597	3,210,359	785,238	207,108	103,826	2.53
2009	4,282,319	3,389,116	893,203	215,459	96,065	2.87
2010	3,948,873	2,520,714	1,428,159	228,428	97,299	4.38
2011	4,137,903	2,730,695	1,407,208	236,134	91,800	4.29
<b>Electric</b>						
2002	\$ 4,653,859	\$ 3,639,551	\$ 1,014,308	\$ -	\$ -	N/A
2003	6,371,874	5,979,643	392,231	-	172,192	2.28
2004	6,957,577	5,625,429	1,332,148	-	203,773	6.54
2005	6,980,375	5,389,383	1,590,992	-	295,383	5.39
2006	7,372,960	5,323,345	2,049,615	-	570,269	3.59
2007	7,303,057	5,479,880	1,823,177	-	601,990	3.03
2008	7,353,701	5,318,427	2,035,274	-	596,863	3.41
2009	7,511,659	5,188,245	2,323,414	140,000	589,744	3.18
2010	7,444,817	5,479,412	1,965,405	160,000	582,778	2.65
2011	7,463,072	5,517,159	1,945,913	180,000	575,628	2.58

- (1) Total revenues (including interest) exclusive of tap fees.
- (2) Total operating expenses exclusive of depreciation.
- (3) Includes principal and interest of revenue bonds only. It does not include the general obligation bonds reported in the water and sewer enterprise funds.

**CITY OF HERMISTON, OREGON**

**Demographic Statistics**

**Last Ten Fiscal Years**

<u>Fiscal Year Ended June 30,</u>	<u>City Population</u>	<u>Umatilla County Per Capita Income</u>	<u>Total Personal Income</u>	<u>Umatilla County Unemployment Rate</u>
2002	13,560	22,789	309,018,840	5.2
2003	14,120	23,011	324,915,320	6.9
2004	14,540	24,484	355,997,360	6.4
2005	14,700	25,322	372,233,400	7.8
2006	15,025	24,900	374,122,500	6.2
2007	15,410	26,535	408,904,350	5.2
2008	15,785	29,287	462,295,295	5.1
2009	16,080	30,193	485,503,440	10.5
2010	16,215	*	*	9.7
2011	16,795	*	*	9.1

Source of Information:  
Portland State University Center of Population and Research  
State of Oregon Employment Division  
Hermiston School District #8R  
U.S. Department of Commerce

(\*) Figure was not available.

**CITY OF HERMISTON, OREGON**

**Principal Employers**  
**Current Year and Nine Years Ago**

<u>Employer</u>	<u>2011</u>			<u>2002</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Umatilla Army Depot	1080	1	9.5%			
Con-Agra Foods	1000	2	8.8%	Information not available		
Express Employment Professionals	800	3	7.0%			
Wal-Mart Distribution	800	4	7.0%			
Certified Personnel Services	725	5	6.4%			
River Point Farms	650	6	5.7%			
Good Shepherd Medical Center	465	7	4.1%			
Hermiston School District	455	8	4.0%			
Wal-Mart Supercenter	400	9	3.5%			
Union Pacific Railroad	300	10	2.6%			
			<u>58.6%</u>			

Note: Included employers in the Greater Hermiston Area.

Sources: Oregon Employment Department and the Greater Hermiston Chamber of Commerce

**CITY OF HERMISTON, OREGON**

**Full-Time Equivalent City Government Employees by Function/Program**

**Last Eight Fiscal Years**

<u>Function/Program</u>	Full-time Equivalent Employees as of June 30,							
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
General government	5.89	6.5	11.2	11.2	11.2	11.2	11.2	11.2
Public safety	33.00	33.0	35.0	35.0	33.5	33.5	33.5	33.5
Highways and streets	5.83	5.6	6.3	6.3	6.3	6.3	6.3	6.3
Cultural and recreation	27.30	23.5	27.5	27.5	27.5	27.5	27	17
Water	9.92	10.0	10.7	10.7	10.7	10.7	10.7	10.7
Sewer	8.59	11.0	11.4	11.4	11.4	11.4	11.4	11.4
Electric	2.54	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Total	<u>93.07</u>	<u>92.0</u>	<u>104.5</u>	<u>104.5</u>	<u>103</u>	<u>103</u>	<u>102.5</u>	<u>92.5</u>

Source: City of Hermiston

**CITY OF HERMISTON, OREGON**

**Operating Indicators by Function/Program**  
**Last Eight Fiscal Years**

<b><u>FUNCTION/PROGRAM</u></b>	<b>Fiscal Year</b>							
	2011	2010	2009	2008	2007	2006	2005	2004
<b>Governmental Activities:</b>								
General government								
Number of Senior Citizen Taxi Program tickets sold	31,108	32,073	32,976	34,766	29,077	27,879	25,103	*
Number of building inspections	**	**	**	881	1,346	2,266	*	*
** No longer tracking information								
Public Safety								
Total police incidents	27,083	33,621	36,841	26,654	26,016	25,610	*	*
Officer initiated	12,283	19,893	22,869	11,149	10,366	9,807	*	*
Calls for police service	14,802	13,728	13,972	15,505	15,650	15,803	*	*
Number of traffic stops	4,778	6,397	8,177	5,196	5,602	5,104	*	*
Highways and streets								
Estimated miles of street swept	6,200	5,237	6,800	5,000	10,242	600	*	*
Cultural and recreation								
Number of library items checked out	86,997	100,412	102,527	100,886	98,072	89,835	*	*
Number of library patrons	9,565	8,773	10,217	10,245	8,984	10,007	9,873	*
<b>Business-type activities:</b>								
Water								
Number of accounts	4,707	4,543	4,495	4,411	4,362	4,060	3,954	*
Annual consumption (in billions of gallons)	3,377	3,729	3,513	3,911	2,324	2,983	3,711	*
Sewer								
Number of accounts	4,449	4,428	4,604	4,314	4,494	4,393	4,283	*
Electricity								
Number of accounts	5,263	5,296	5,266	5,230	5,232	5,163	5,139	*
KWH sold	105,641,459	108,284,994	110,923,480	107,034,379	107,260,781	104,636,712	*	*

(\* ) Figure was not available.

Sources: Various City of Hermiston departments.

**CITY OF HERMISTON, OREGON**

**Capital Asset Statistics by Function/Program**  
**Last Eight Fiscal Years**

<b>Function/Program</b>	<b>Fiscal Year</b>							
	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>Governmental Activities</b>								
General government								
Administrative buildings	2	2	2	2	2	2	2	2
Public Safety								
Police stations	1	1	1	1	1	1	1	1
Patrol units								
Cars	12	11	13	16	17	12	12	12
Bus	-	-	-	1	1	1	1	1
Motorcycles	2	3	2	2	2	2	2	2
Highways and streets								
Miles of streets	62	62	60	60	60	60	60	60
Culture and recreation								
Library collection:								
Printed materials	35,578	34,973	34,121	36,305	37,140	39,110	*	*
Audio materials	1,813	1,665	2,607	2,054	1,081	1,442	*	*
Video materials	1,961	1,707	1,759	1,618	1,339	1,407	*	*
Electronic materials	3,412	3,451	3,451	3,451	3,451	3,451	*	*
Business-type activities:								
Water								
Miles of city water line	69	69	68	66	66	60	60	60
Miles of regional water system water line	14	14	14	14	14	14	14	14
City wells	6	6	6	6	6	6	6	6
Sewer:								
Sewage pump stations	8	8	8	8	8	8	8	8
Clarifiers	4	4	4	4	4	4	4	4
Gravity Thickeners	1	1	2	2	2	2	1	1
Electric								
Miles of overhead line	37	37	37	37	37	37	*	*
Miles of underground line	28	27	26	25	25	20	*	*
Transformers	1,381	1,321	1,667	1,643	1,600	1,186	*	*

(\*) Figure was not available.

Sources: Various City of Hermiston departments.

**CITY OF HERMISTON, OREGON**

**Miscellaneous Statistical Data**  
**June 30, 2011**

**FORM OF GOVERNMENT**

**MAYOR/COUNCIL-MANAGER**

Date of Incorporation	July 10, 1907
Date of First Charter	March 15, 1910
Type of Charter	Home Rule Charter
Date of Present Charter Adoption	November 2, 1954
Area - Acres	4,500

**LOCATION:** Hermiston is centrally located between the major cities of the Pacific Northwest. It is 185 miles east of Portland, 185 miles southwest of Spokane, 260 miles southeast of Seattle and 260 miles northwest of Boise.

**POPULATION:** 16,795

**ELEVATION:** 450 feet above sea level

**ELEVATION:** Hermiston has a very mild climate compared to most of the country. During the summer months, the average high is 86° F and the average low is 54° F. Winter temperatures average 47° F high and 28° F low with little or no snow. Average annual rainfall is less than 9 inches.

**HERMISTON CITY GOVERNMENT AND SERVICES:**

The City of Hermiston government is of the mayor/council-manager type. It reflects progressive thought and action, good planning for the future, and concern for the welfare of the City's citizens. Public safety is the key issue, with modern police department and the full gamut of City services. The City-owned-and-operated facilities include seven city parks, a municipal airport, a public safety center (municipal court and police department using the 911 emergency number), a modern sewage treatment plant, water treatment plant, electricity distribution system, public parks building, City Hall, and public library.

**POLICE PROTECTION:**

The police department located in the Hermiston Public Safety Center, 330 S. First, is a full-service police department providing crime investigation, traffic enforcement, crime prevention, youth services, and general security to the community. The members of the department are active in many aspects of community service and provide hundreds of hours of volunteer time in support of youth programs. Our dispatchers provide 911 service to this area with one of the first programs in the state.

**CITY OF HERMISTON, OREGON**

**Miscellaneous Statistical Data (continued)**

**June 30, 2011**

**LIBRARY:** The library building, located at 235 E. Gladys Avenue, provides 14,000 square feet of space to store the library's automated collection of 35,000 books, 100 magazine and newspaper subscriptions, and many paperbacks. The library has direct access to the State Library card catalog and to a regional computer access system.

The library offers movie, slide and overhead projectors, TV-VCR, laser videodisc player, typewriter, cassette player, engraver, copy machine, a telefacsimile (FAX) machine, and internet access for public use.

The library serves Hermiston's residents, plus 5,000 more outside the City through a contract with a regional library district.

Number of Employees:

Full-Time	4
Part-Time	6

**AIRPORT FACILITIES:**

The Hermiston Municipal Airport is located one and one-half miles from the city center on Airport Way. Services available at the airport include: fuel facilities, overnight and long-term airplane parking, licensed mechanic, flight school, airplane rental, air charter, and courtesy cars. The management is under the direction of the City Manager and the Airport Advisory Committee. The Airport Advisory Committee meets monthly and consists of five individuals from the community appointed by the Mayor and reporting to the City Council.

**RECREATION:**

Parks, Playgrounds, Ball fields:

Number of Facilities	9
Number of Acres	83

This does not include two unimproved sites.

**EDUCATION:** Hermiston School District #8R encompasses 154 square miles.

Schools:

Elementary	5
Middle	2
Senior High	1

Blue Mountain Community College in Pendleton operates a permanent facility in Hermiston for off-campus adult and continuing education.

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

Mayor and City Council  
City of Hermiston  
Hermiston, Oregon

We have audited the basic financial statements of the City of Hermiston, Oregon as of and for the year ended June 30, 2011, and have issued our report thereon dated September 27, 2011. 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 the City of Hermiston'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.
- Highway revenues used for public highways, roads, and streets.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).

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

- Budget over expenditures are disclosed in Note 2 to the Financial Statements.

**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 the City of Hermiston, Oregon's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal controls over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in City of Hermiston, Oregon’s internal control to be material weaknesses:

**SEPARATION OF ACCOUNTING DUTIES**

Good accounting controls require that employees with access to cash not also record the transactions in the accounting records.

The employee collecting utility billing proceeds should not also be responsible for recording collections and adjustments to the utility receivable records. Other employees, who receive cash, including the aquatic center, municipal court and building department employees, should not be responsible for recording collections and adjustments to receivable records. Employees with no cash handling responsibilities should reconcile daily cash received, cash posting and adjustment posting, to the receivable records as an offsetting

Additionally, the employee preparing and producing bank checks should not also be an authorized check signer or reconcile the bank account. Correspondence with Banner Bank and U.S. Bank indicate that Donna Moeller is an authorized signer. Donna is the Assistant City Recorder. Her duties include preparing and producing bank checks.

Mayor and City Council  
City of Hermiston  
Page three

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

#### MONITORING AND RECONCILIATION

Good accounting controls require reconciling City records to source documents and other expectations to verify completeness and prevent errors.

The Hermiston Municipal Court receives charges and citations from the Police Department. The Court enters these charges and citations into its records, but does not regularly reconcile independent Police Department records of charges and citations to Court records to verify that court records are complete. The Court levies fines, receives payments, and maintains computerized records of fines receivable. The court does not reconcile the beginning balance of fines receivable to its ending balance independently of its computerized recordkeeping system. Court staff indicates that records of fines receivable can be purged from its computerized recordkeeping system as required by statute. Additionally, Court staff indicates that records of fines receivable include amounts that need to be reviewed. Fines may be uncollectible because: the offender is deceased, the offender has participated in an amnesty program, the sentence has been modified to community service, the passage of time, or other causes.

We recommend the Court regularly reconcile Police Department records of charges to Court records and reconcile beginning balances of fines receivable to ending balances independently of computerized records to verify completeness of Court records. We recommend that details of reconciliations of fines receivable (fines levied, payments, and adjustments) be reviewed by the Municipal Court Judge. We recommend the Court review its records of fines receivable and purge as appropriate. Because the Court suspends drivers licenses of offenders who do not appear, pay fines, or comply with Court orders, we recommend the Court focus on offenders charged with driving without a license.

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: 

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Richard L. Stoddard, Shareholder  
Hermiston, Oregon  
September 27, 2011