

CITY OF HERMISTON, OREGON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended

June 30, 2012

Prepared by the Department of Finance

CITY OF HERMISTON, OREGON

June 30, 2012

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INTRODUCTORY SECTION

CITY OF HERMISTON, OREGON

List of Principal Officials

June 30, 2012

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

George Anderson

December 31, 2014

Frank J. Harkenrider

December 31, 2014

Municipal Judge:

Thomas J. Creasing

December 31, 2012

APPOINTED OFFICIALS

City Manager:

Edward Brookshier

Administrative Assistant to the City Manager

Mark Morgan

Finance Director/City Recorder:

Vacant

Chief of Police:

Jason Edmiston

Water Superintendent:

Roy Bicknell

Wastewater Superintendent:

Bill Schmittle

Library Director:

Marie L. Baldo

City Attorney:

Gary Luisi

Street Superintendent:

Ron Sivey

HES Superintendent:

Russell Dorran

Building Official:

Chuck Woolsey

Parks & Recreation Director:

Larry Fetter

City Planner:

Clint Spencer

OFFICIAL ADDRESS

180 N.E. Second Street

Hermiston, OR 97838

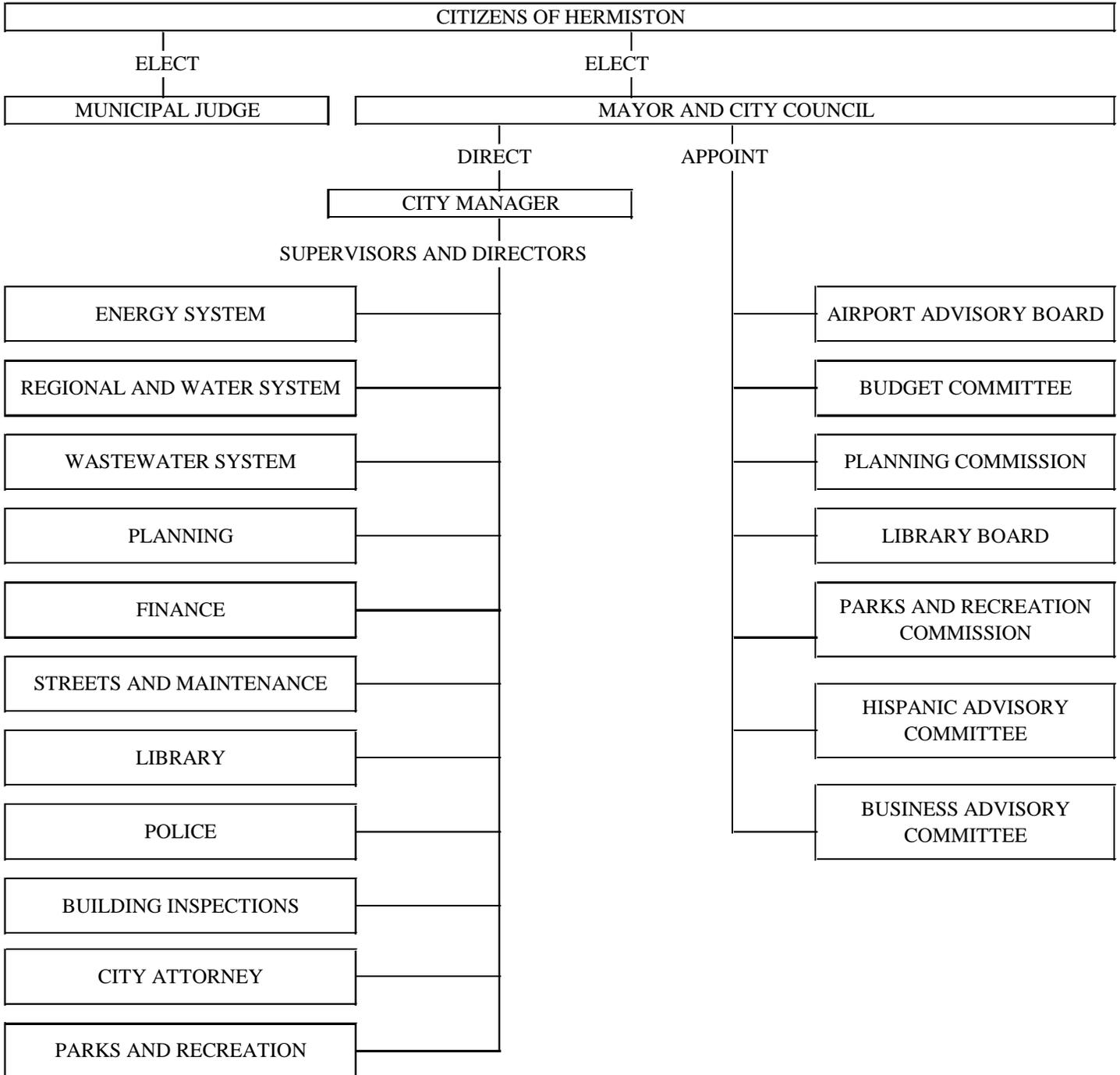
Telephone: 541-567-5521

Fax: 541-567-5530

CITY OF HERMISTON, OREGON

Organizational Chart

June 30, 2012





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

October 24, 2012

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, 2012, 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, I-82 (north-south) and I-84 (east-west). It offers Union Pacific's Hinkle Rail Yard to the south and the Port of Umatilla's barge loading facilities to the north. Hermiston owns its own airport to complete this hub of commercial and industrial transportation. Hermiston's other municipal facilities include a modern public safety center, housing police and municipal court; Hermiston 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 82 full-time city employees and 21 permanent part-time 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 16,865.

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 Hi-Bred. 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 16,865 in 2012.

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 opened 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. 2011 saw 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.

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 2012. The estimated total cost of this multi-year project is \$27,000,000. Completion of the project is expected in 2015.

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, 2011. This was the twenty-first 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



Donna J. Moeller
Interim Finance Director

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, 2011

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.



Linda C. Davison

President

Jeffrey R. Enos

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.

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, 2012, 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.

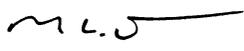
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, 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, 2012, 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
October 24, 2012

CITY OF HERMISTON, OREGON

Management's Discussion and Analysis

June 30, 2012

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, 2012

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	
	2012	2011	2012	2011	2012	2011
Cash and investments	\$ 16,460	\$ 9,614	\$ 5,569	\$ 7,124	\$ 22,029	\$ 16,738
Other assets	1,856	2,051	1,462	1,405	3,318	3,456
Capital assets	13,294	13,454	34,438	33,514	47,732	46,968
Total assets	<u>31,610</u>	<u>25,119</u>	<u>41,469</u>	<u>42,043</u>	<u>73,079</u>	<u>67,162</u>
Other liabilities	7,988	1,793	1,064	1,012	9,052	2,805
Long term debt outstanding	3,265	3,320	18,057	19,758	21,322	23,078
Total liabilities	<u>11,253</u>	<u>5,113</u>	<u>19,121</u>	<u>20,770</u>	<u>30,374</u>	<u>25,883</u>
Net assets:						
Invested in capital assets, net of debt	10,029	10,134	16,381	13,756	26,410	23,890
Restricted	2,600	3,008	-	-	2,600	3,008
Unrestricted	7,728	6,864	5,967	7,517	13,695	14,381
Total net assets	<u>\$ 20,357</u>	<u>\$ 20,006</u>	<u>\$ 22,348</u>	<u>\$ 21,273</u>	<u>\$ 42,705</u>	<u>\$ 41,279</u>

CITY OF HERMISTON, OREGON

Management's Discussion and Analysis (continued)

June 30, 2012

Financial Highlights (continued)

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
REVENUES						
Program revenues:						
Charges for service	\$ 1,987	\$ 2,124	\$ 11,876	\$ 11,924	\$ 13,863	\$ 14,048
Operating Grants and contributions	93	503	-	-	93	503
Capital Grants and contributions	377	200	-	-	377	200
General revenues:						
Taxes	7,089	6,803	-	-	7,089	6,803
Interest	4	15	7	18	11	33
Other	464	439	131	196	595	635
Total revenues	<u>10,014</u>	<u>10,084</u>	<u>12,014</u>	<u>12,138</u>	<u>22,028</u>	<u>22,222</u>
EXPENSES						
Governmental activities:						
General government	2,074	2,119	-	-	2,074	2,119
Public safety	3,578	3,296	-	-	3,578	3,296
Highways and streets	961	946	-	-	961	946
Economic development	-	16	-	-	-	16
Cultural and recreation	2,546	2,471	-	-	2,546	2,471
Interest on long-term debt	144	146	-	-	144	146
Business-type activities:						
Water	-	-	3,022	2,777	3,022	2,777
Sewer	-	-	1,425	1,407	1,425	1,407
Electric	-	-	6,852	6,601	6,852	6,601
Total expenses	<u>9,303</u>	<u>8,994</u>	<u>11,299</u>	<u>10,785</u>	<u>20,602</u>	<u>19,779</u>
Change in net assets before transfers	711	1,090	715	1,353	1,426	2,443
Transfers	(360)	(28)	360	28	-	-
Change in net assets	<u>351</u>	<u>1,062</u>	<u>1,075</u>	<u>1,381</u>	<u>1,426</u>	<u>2,443</u>
Beginning net assets	20,006	18,944	21,273	19,892	41,279	38,836
Ending net assets	<u>\$ 20,357</u>	<u>\$ 20,006</u>	<u>\$ 22,348</u>	<u>\$ 21,273</u>	<u>\$ 42,705</u>	<u>\$ 41,279</u>

CITY OF HERMISTON, OREGON

Management's Discussion and Analysis (continued)

June 30, 2012

Financial Highlights (continued)

The City's overall net assets (reported on the government-wide Statement of Activities) increased by \$1,426,000 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 increased by \$310,000 due to increased costs of personal services needed to maintain public safety. Increased costs of culture and recreation and highways and streets were offset by cost cutting in other functions.

The primary fund of the City, the General Fund, ended the year of operations with an increase in fund balance of \$455,000. Increases in property taxes received were offset by reduced grants and contributions. Property taxes increased because of an increase in assessed taxable value. Grants and contributions decreased because grants received during the year ended June 30, 2011 were one time events not expected to recur. Expenditures in the General Fund increased by \$454,000 or 7.6% from the prior year due to increases in personal services expenditures for public safety and culture and recreation. Other increases in general fund expenditures include \$75,000 participation in building a homeless shelter.

Other major governmental funds include the Reserve Fund, Revolving Loan Fund, and the EOTEC Construction Fund. The Reserve Fund ended the fiscal year with an decrease in fund balance of \$619,000 compared to a \$166,000 increase in the prior year. Grants and contributions decreased by \$250,000 because grants received during the year ended June 30, 2011 were one time events not expected to recur. The City spent reserve funds on street maintenance, water system repairs, playground equipment, and replacement of a street sweeper. The Revolving Loan Fund remained constant. The EOTEC Construction Fund received a \$6.4 million grant near year-end. No change in fund balance occurred because grant proceeds were considered to be deferred revenue.

The remaining governmental funds ended with an increase in fund balance of \$634,000 compared to a \$248,000 increase in the prior year. The City received a \$136,000 increase in motor vehicle fuel taxes because of rate increases enacted by the State of Oregon. The City received a \$200,000 grant to offset infrastructure construction costs.

Business-Type Activities

The Utility Fund experienced an increase in fund balance of \$964,000. Revenues increased by 1.5% while expenses increased by 10.5% over the prior year. Transfers from the Reserve Fund increased to offset increased costs of system repairs.

CITY OF HERMISTON, OREGON

Management's Discussion and Analysis (continued)

June 30, 2012

Business-Type Activities (Continued)

The fund balance in the Energy Fund increase by \$152,000 during the year. Revenue decreased because customers consumed less electricity than in the prior year. The cost of wholesale electricity increased 11% over the prior year.

The Regional Water Fund experienced a decrease in fund balance of \$40,000 compared to an increase of \$60,000 the year before. Water sales decreased by \$80,000 compared to the prior year.

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 did not modify its budget during the year. Budget overexpenditures are listed in Note 2.

General Fund revenues exceeded budgeted expectations by \$761,000. General Fund expenditures exceeded budgeted expectations by \$86,000. The City has, and will continue to budget conservatively on general revenues and expenditures.

Capital Assets

The City had \$47.7 million in capital assets net of depreciation at June 30, 2012 allocated as follows:

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

	Governmental Activities		Business-type Activities		Total Governmental	
	2012	2011	2012	2011	2012	2011
Land and easements	\$ 2,253	\$ 2,209	\$ 1,073	\$ 673	\$ 3,326	\$ 2,882
Construction in progress	80	11	5,291	4,637	5,371	4,648
Buildings and systems	5,468	5,663	27,916	28,025	33,384	33,688
Machinery, equipment	526	497	158	179	684	676
Street system	4,967	5,074	-	-	4,967	5,074
Total capital assets	<u>\$ 13,294</u>	<u>\$ 13,454</u>	<u>\$ 34,438</u>	<u>\$ 33,514</u>	<u>\$ 47,732</u>	<u>\$ 46,968</u>

Major changes in capital assets included the following:

The City added \$1,237,000 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 \$757,000 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, 2012

Debt Administration

At year end, the City had \$21.4 million in long term debt outstanding compared to \$23.3 million last year. In addition to refunding \$3,275,000 in bonds, the City repaid \$2,190,000 of long term debt during the year and received \$300,000 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 2012-13 budget increased appropriations by \$4,828,000 from the final 2011-12 budget. \$1,460,000 in new appropriations for construction of the Eastern Oregon Trade and Event Center and increased transfers to the Reserve Fund for street and utility upgrades comprise the City's major appropriations increases.

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: Donna J. Moeller, Interim 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, 2012

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and investments	\$ 16,460,023	\$ 5,569,324	\$ 22,029,347
Accounts and other receivables, net	105,791	1,201,344	1,307,135
Prepaid expenses	106,839	-	106,839
Property taxes receivable	446,884	-	446,884
Contracts receivable	1,196,678	-	1,196,678
Bond issue costs, net	-	260,636	260,636
Capital assets:			
Nondepreciable	2,332,930	6,363,763	8,696,693
Depreciable, net of depreciation	10,961,087	28,073,996	39,035,083
Total assets	<u>31,610,232</u>	<u>41,469,063</u>	<u>73,079,295</u>
<u>LIABILITIES</u>			
Accounts payable	125,464	590,083	715,547
Accrued interest payable	11,953	229,770	241,723
Compensated absences payable	268,448	74,148	342,596
Deposits payable	-	170,048	170,048
Deferred revenue	7,581,949	-	7,581,949
Notes payable			
Due within one year	-	6,695	6,695
Due in more than one year	-	938,942	938,942
Bonds payable			
Due within one year	60,000	735,469	795,469
Due in more than one year	3,205,000	16,376,340	19,581,340
Total liabilities	<u>11,252,814</u>	<u>19,121,495</u>	<u>30,374,309</u>
<u>NET ASSETS</u>			
Invested in capital assets (net of related debt)	10,029,017	16,380,313	26,409,330
Restricted for debt service	1,577,357	-	1,577,357
Restricted for culture and recreation	194,723	-	194,723
Restricted for highways and streets	403,457	-	403,457
Restricted for utility system development	394,505	-	394,505
Restricted for public safety	29,984	-	29,984
Unrestricted	7,728,375	5,967,255	13,695,630
Total net assets	<u>\$ 20,357,418</u>	<u>\$ 22,347,568</u>	<u>\$ 42,704,986</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, 2012

	<u>General</u>	<u>Reserve</u>	<u>Revolving Loan</u>	<u>EOTEC Construction</u>	<u>Other Governmental</u>	<u>Total</u>
<u>ASSETS:</u>						
Cash and investments	\$ 5,426,632	\$ 2,879,484	\$ 24,553	\$ 6,399,951	\$ 1,729,403	\$ 16,460,023
Receivables:						
Property taxes	413,084	-	-	-	33,800	446,884
Intergovernmental and other	92,496	13,295	-	-	-	105,791
Contracts receivable	-	-	1,196,678	-	-	1,196,678
Prepaid items	-	-	-	-	106,839	106,839
Total assets	<u>\$ 5,932,212</u>	<u>\$ 2,892,779</u>	<u>\$ 1,221,231</u>	<u>\$ 6,399,951</u>	<u>\$ 1,870,042</u>	<u>\$ 18,316,215</u>
<u>LIABILITIES AND FUND BALANCES</u>						
<u>LIABILITIES:</u>						
Accounts payable	\$ -	\$ 23,855	\$ -	\$ -	\$ 101,609	\$ 125,464
Deferred revenues:						
Property taxes	355,252	-	-	-	29,068	384,320
Contracts and other	-	-	1,147,148	6,399,951	34,850	7,581,949
Total liabilities	<u>355,252</u>	<u>23,855</u>	<u>1,147,148</u>	<u>6,399,951</u>	<u>165,527</u>	<u>8,091,733</u>
<u>FUND BALANCES:</u>						
Nonspendable	-	-	-	-	106,839	106,839
Restricted	-	1,705,008	-	-	895,018	2,600,026
Committed	-	1,163,916	74,083	-	702,658	1,940,657
Unassigned	5,576,960	-	-	-	-	5,576,960
Total fund balances	<u>5,576,960</u>	<u>2,868,924</u>	<u>74,083</u>	<u>-</u>	<u>1,704,515</u>	<u>10,224,482</u>
Total liabilities and fund balances	<u>\$ 5,932,212</u>	<u>\$ 2,892,779</u>	<u>\$ 1,221,231</u>	<u>\$ 6,399,951</u>	<u>\$ 1,870,042</u>	<u>\$ 18,316,215</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, 2012**

<u>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</u>		\$ 10,224,482
<p>Capital assets used in governmental activities are not financial resources, therefore, are not reported in the governmental funds' balance sheet.</p>		
Acquisition cost	\$ 32,096,366	
Accumulated depreciation	<u>(18,802,349)</u>	13,294,017
<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>		
		384,320
<p>Accrued compensated absences are not due and payable with current financial resources, therefore, they are not reported in the funds' balance sheet.</p>		
		(268,448)
<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	(3,265,000)	
Accrued interest payable	<u>(11,953)</u>	<u>(3,276,953)</u>
<u>TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES</u>		<u>\$ 20,357,418</u>

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, 2012

	<u>General</u>	<u>Reserve</u>	<u>Revolving Loan</u>	<u>EOTEC Construction</u>	<u>Other Governmental</u>	<u>Total</u>
<u>REVENUES:</u>						
Property taxes	\$ 4,491,737	\$ -	\$ -	\$ -	\$ 353,079	\$ 4,844,816
Transient room tax	267,551	81,810	-	-	64,428	413,789
911 tax	-	-	-	-	112,098	112,098
Franchise tax	396,169	-	-	-	-	396,169
Intergovernmental	379,829	-	-	-	917,016	1,296,845
Fees, licenses, and permits	5,350	-	-	-	-	5,350
Fines and forfeits	455,137	-	-	-	195,735	650,872
Investment interest	3,880	-	221	8	-	4,109
Charges for services	895,879	41,225	-	-	393,796	1,330,900
Grants and contributions	35,310	-	-	49	434,571	469,930
Miscellaneous	339,730	1,358	-	-	123,405	464,493
Total revenues	<u>7,270,572</u>	<u>124,393</u>	<u>221</u>	<u>57</u>	<u>2,594,128</u>	<u>9,989,371</u>
<u>EXPENDITURES:</u>						
Current:						
General government	1,691,873	26,058	-	57	262,043	1,980,031
Public safety	2,789,422	-	-	-	677,832	3,467,254
Highways and streets	-	-	-	-	580,281	580,281
Cultural and recreation	1,864,101	76,557	-	-	310,952	2,251,610
Debt service:						
Principal	-	-	-	-	55,000	55,000
Interest	-	-	-	-	144,363	144,363
Capital Outlay:						
General government	43,703	-	-	-	-	43,703
Public safety	23,092	-	-	-	-	23,092
Highways and streets	-	395,554	-	-	-	395,554
Cultural and recreation	-	219,355	-	-	-	219,355
Total expenditures	<u>6,412,191</u>	<u>717,524</u>	<u>-</u>	<u>57</u>	<u>2,030,471</u>	<u>9,160,243</u>
<u>EXCESS (DEFICIENCY) OF REVENUES</u>						
<u>OVER (UNDER) EXPENDITURES</u>	858,381	(593,131)	221	-	563,657	829,128
<u>OTHER FINANCING SOURCES (USES):</u>						
Transfers in	361,225	793,995	-	-	733,363	1,888,583
Transfers out	(720,466)	(864,572)	-	-	(663,058)	(2,248,096)
Total other financing sources (uses)	<u>(359,241)</u>	<u>(70,577)</u>	<u>-</u>	<u>-</u>	<u>70,305</u>	<u>(359,513)</u>
<u>NET CHANGE IN FUND BALANCES</u>	499,140	(663,708)	221	-	633,962	469,615
<u>FUND BALANCES, BEGINNING</u>	5,077,820	3,532,632	73,862	-	1,070,553	9,754,867
<u>FUND BALANCES, ENDING</u>	<u>\$ 5,576,960</u>	<u>\$ 2,868,924</u>	<u>\$ 74,083</u>	<u>\$ -</u>	<u>\$ 1,704,515</u>	<u>\$ 10,224,482</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, 2012**

Net change in fund balances - total governmental funds	\$	469,615
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	\$	681,704
Less current year depreciation		<u>(841,974)</u>
		(160,270)
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.		
		25,035
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.		
		55,000
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>(38,778)</u>
<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	\$	<u>350,602</u>

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, 2012

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts	Final Budget- Positive (Negative)
<u>REVENUES:</u>				
Property taxes	\$ 4,185,000	\$ 4,185,000	\$ 4,496,987	\$ 311,987
Transient room tax	205,000	205,000	267,551	62,551
Franchise fees	720,400	720,400	751,738	31,338
Intergovernmental	290,000	290,000	379,829	89,829
Fees, licenses, and permits	4,000	4,000	5,350	1,350
Fines and forfeits	385,000	385,000	455,137	70,137
Investment interest	10,000	10,000	8,324	(1,676)
Charges for services	804,950	804,950	895,361	90,411
Grants and contributions	59,500	59,500	135,310	75,810
Miscellaneous	310,000	310,000	339,730	29,730
Total revenues	<u>6,973,850</u>	<u>6,973,850</u>	<u>7,735,317</u>	<u>761,467</u>
<u>EXPENDITURES:</u>				
Current:				
General government:				
Personal services	792,115	792,115	739,906	52,209
Materials and services	923,830	923,830	951,967	(28,137)
Public safety:				
Personal services	2,534,365	2,534,365	2,558,663	(24,298)
Materials and services	233,085	233,085	230,759	2,326
Culture and recreation:				
Personal services	1,353,415	1,353,415	1,380,159	(26,744)
Materials and services	452,750	452,750	483,942	(31,192)
Capital outlay	51,100	51,100	36,795	14,305
Total expenditures	<u>6,340,660</u>	<u>6,340,660</u>	<u>6,382,191</u>	<u>(41,531)</u>
<u>EXCESS (DEFICIENCY) OF REVENUES</u>				
<u>OVER (UNDER) EXPENDITURES</u>	<u>633,190</u>	<u>633,190</u>	<u>1,353,126</u>	<u>719,936</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers out	(952,300)	(952,300)	(720,466)	231,834
Total other financing sources (uses)	<u>(952,300)</u>	<u>(952,300)</u>	<u>(720,466)</u>	<u>231,834</u>
<u>NET CHANGE IN FUND BALANCE</u>	<u>(319,110)</u>	<u>(319,110)</u>	<u>632,660</u>	<u>951,770</u>
<u>FUND BALANCES, BEGINNING</u>	<u>344,110</u>	<u>344,110</u>	<u>4,790,760</u>	<u>4,446,650</u>
<u>FUND BALANCES, ENDING</u>	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ 5,423,420</u>	<u>\$ 5,398,420</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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Taxes	\$ 14,250	\$ 14,250	\$ 81,810	\$ 67,560
Reimbursements and other	-	-	42,832	42,832
Total revenues	<u>14,250</u>	<u>14,250</u>	<u>124,642</u>	<u>110,392</u>
<u>EXPENDITURES:</u>				
Current:				
General government:				
Materials and services	-	-	26,058	(26,058)
Highways and streets:				
Materials and services	243,240	243,240	-	243,240
Culture and recreation:				
Materials and services	156,100	156,100	84,457	71,643
Capital outlay	<u>4,014,060</u>	<u>4,014,060</u>	<u>1,312,694</u>	<u>2,701,366</u>
Total expenditures	<u>4,413,400</u>	<u>4,413,400</u>	<u>1,423,209</u>	<u>2,990,191</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>				
	<u>(4,399,150)</u>	<u>(4,399,150)</u>	<u>(1,298,567)</u>	<u>3,100,583</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers from:				
Utility Fund	364,250	364,250	452,295	88,045
Street Fund	291,700	291,700	291,700	-
Regional Water Fund	50,000	50,000	50,000	-
Total other financing sources (uses)	<u>705,950</u>	<u>705,950</u>	<u>793,995</u>	<u>88,045</u>
<u>NET CHANGE IN FUND BALANCE</u>				
	<u>(3,693,200)</u>	<u>(3,693,200)</u>	<u>(504,572)</u>	<u>3,188,628</u>
<u>FUND BALANCES, BEGINNING</u>				
	<u>3,693,200</u>	<u>3,693,200</u>	<u>3,362,928</u>	<u>(330,272)</u>
<u>FUND BALANCES, ENDING</u>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,858,356</u>	<u>\$ 2,858,356</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, 2012

	<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>
<u>REVENUES:</u>				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Investment interest	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>EXPENDITURES:</u>				
Current:				
Economic development:				
Materials and services	<u>100,000</u>	<u>100,000</u>	<u>609</u>	<u>99,391</u>
<u>EXCESS (DEFICIENCY) OF</u>				
<u>REVENUES OVER (UNDER)</u>	(100,000)	(100,000)	(609)	99,391
<u>EXPENDITURES</u>				
<u>OTHER FINANCING SOURCES</u>				
<u>(USES):</u>				
Transfers from General fund	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>
<u>NET CHANGE IN FUND</u>				
<u>BALANCE</u>	-	-	(609)	(609)
<u>FUND BALANCES, BEGINNING</u>	<u>-</u>	<u>-</u>	<u>25,162</u>	<u>25,162</u>
<u>FUND BALANCES, ENDING</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,553</u>	<u>\$ 24,553</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, 2012

	Business-Type Activities-Enterprise Funds				Totals
	Utility	Energy	Regional Water	WWTP Construction	
<u>ASSETS</u>					
<u>CURRENT ASSETS:</u>					
Cash and cash equivalents	\$ -	\$ 4,884,891	\$ 684,433	\$ -	\$ 5,569,324
Receivable from other proprietary fund	3,244,907	-	103,038	-	3,347,945
Accounts receivable	662,499	628,734	28,111	-	1,319,344
Allowance for doubtful accounts	(98,000)	(20,000)	-	-	(118,000)
Total current assets	<u>3,809,406</u>	<u>5,493,625</u>	<u>815,582</u>	<u>-</u>	<u>10,118,613</u>
<u>NONCURRENT ASSETS:</u>					
Capital assets, net	12,574,752	11,235,590	6,041,003	4,586,414	34,437,759
Bond issue costs, net	5,795	201,915	52,926	-	260,636
Total noncurrent assets	<u>12,580,547</u>	<u>11,437,505</u>	<u>6,093,929</u>	<u>4,586,414</u>	<u>34,698,395</u>
Total assets	<u>16,389,953</u>	<u>16,931,130</u>	<u>6,909,511</u>	<u>4,586,414</u>	<u>44,817,008</u>
<u>LIABILITIES</u>					
<u>CURRENT LIABILITIES:</u>					
Accounts payable	129,043	402,926	-	58,114	590,083
Payable to other proprietary fund	-	-	-	3,347,945	3,347,945
Accrued interest payable	47,792	138,634	43,344	-	229,770
Compensated absences payable	74,148	-	-	-	74,148
Deposits payable	2,400	167,648	-	-	170,048
Notes payable	6,695	-	-	-	6,695
Bonds payable	255,469	225,000	255,000	-	735,469
Total current liabilities	<u>515,547</u>	<u>934,208</u>	<u>298,344</u>	<u>3,406,059</u>	<u>5,154,158</u>
<u>NONCURRENT LIABILITIES:</u>					
Notes payable	57,216	-	-	881,726	938,942
Bonds payable	1,141,262	12,105,852	3,129,226	-	16,376,340
Total long-term liabilities	<u>1,198,478</u>	<u>12,105,852</u>	<u>3,129,226</u>	<u>881,726</u>	<u>17,315,282</u>
Total liabilities	<u>1,714,025</u>	<u>13,040,060</u>	<u>3,427,570</u>	<u>4,287,785</u>	<u>22,469,440</u>
<u>NET ASSETS</u>					
Invested in capital assets (net of related debt)	11,114,110	(1,095,262)	2,656,777	3,704,688	16,380,313
Unrestricted	3,561,818	4,986,332	825,164	(3,406,059)	5,967,255
Total net assets	<u>\$ 14,675,928</u>	<u>\$ 3,891,070</u>	<u>\$ 3,481,941</u>	<u>\$ 298,629</u>	<u>\$ 22,347,568</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, 2012

	Business-Type Activities - Enterprise Funds				Totals
	Utility	Energy	Regional Water	WWTP Construction	
<u>OPERATING REVENUE:</u>					
Charges for sales and services:					
Pledged as security for revenue bonds:					
Electricity	\$ -	\$ 7,269,150	\$ -	\$ -	\$ 7,269,150
Water	2,311,100	-	-	-	2,311,100
Sewer	1,839,470	-	-	-	1,839,470
Miscellaneous revenues	38,895	92,161	-	-	131,056
Unpledged:					
Water	-	-	456,468	-	456,468
Total operating revenue	4,189,465	7,361,311	456,468	-	12,007,244
<u>OPERATING EXPENSES:</u>					
Cost of sales and services:					
Electricity	-	5,771,389	-	-	5,771,389
Water	1,780,384	-	551,445	-	2,331,829
Sewer	1,278,076	-	-	-	1,278,076
Depreciation and amortization	440,806	513,782	180,954	-	1,135,542
Total operating expenses	3,499,266	6,285,171	732,399	-	10,516,836
<u>OPERATING INCOME (LOSS)</u>	690,199	1,076,140	(275,931)	-	1,490,408
<u>NONOPERATING REVENUES</u>					
<u>(EXPENSES):</u>					
Interest on investments	4,782	2,297	-	-	7,079
Interest expense	(77,298)	(567,508)	(137,215)	-	(782,021)
Total nonoperating revenue (expenses)	(72,516)	(565,211)	(137,215)	-	(774,942)
<u>INCOME (DEFICIT) BEFORE TRANSFERS</u>	617,683	510,929	(413,146)	-	715,466
Transfers in	798,606	-	422,427	-	1,221,033
Transfers out	(452,295)	(359,225)	(50,000)	-	(861,520)
Total transfers	346,311	(359,225)	372,427	-	359,513
<u>CHANGE IN NET ASSETS</u>	963,994	151,704	(40,719)	-	1,074,979
<u>TOTAL NET ASSETS - BEGINNING</u>	13,711,934	3,739,366	3,522,660	298,629	21,272,589
<u>TOTAL NET ASSETS - ENDING</u>	\$ 14,675,928	\$ 3,891,070	\$ 3,481,941	\$ 298,629	\$ 22,347,568

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, 2012

	Business-Type Activities - Enterprise Funds				Totals
	Utility	Energy	Regional Water	WWTP Construction	
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>					
Receipts from customers	\$ 4,179,711	\$ 7,330,728	\$ 465,652	\$ -	\$ 11,976,091
Payments to suppliers	(1,315,459)	(5,489,559)	(420,223)	-	(7,225,241)
Payments to employees	(1,755,049)	(233,957)	(131,222)	-	(2,120,228)
Net cash provided by (used in) operating activities	1,109,203	1,607,212	(85,793)	-	2,630,622
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>					
Transfer from other funds	798,606	-	422,427	-	1,221,033
Transfer to other funds	(452,295)	(359,225)	(50,000)	-	(861,520)
Change in loans payable to (from) other funds	(2,288,047)	-	(103,038)	2,391,085	-
Net cash provided by (used in) noncapital financing activities	(1,941,736)	(359,225)	269,389	2,391,085	359,513
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>					
Acquisition and construction of capital assets	(529,180)	(246,957)	-	(1,191,480)	(1,967,617)
Proceeds from bonds and notes	-	-	3,333,049	300,395	3,633,444
Interest paid on bonds and notes	(70,908)	(558,239)	(178,638)	-	(807,785)
Principal paid on bonds and notes	(254,887)	(200,000)	(3,455,000)	(1,500,000)	(5,409,887)
Net cash used in capital and related financing activities	(854,975)	(1,005,196)	(300,589)	(2,391,085)	(4,551,845)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>					
Interest received	4,782	2,297	-	-	7,079
<u>NET INCREASE (DECREASE) IN CASH</u>	(1,682,726)	245,088	(116,993)	-	(1,554,631)
<u>CASH AND CASH EQUIVALENTS, BEGINNING</u>	1,682,726	4,639,803	801,426	-	7,123,955
<u>CASH AND CASH EQUIVALENTS, ENDING</u>	\$ -	\$ 4,884,891	\$ 684,433	\$ -	\$ 5,569,324
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>					
Operating income (loss)	\$ 690,199	\$ 1,076,140	\$ (275,931)	\$ -	\$ 1,490,408
<u>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>					
Depreciation and amortization	440,806	513,782	180,954	-	1,135,542
Change in assets and liabilities:					
Accounts receivable	(9,754)	(30,583)	9,184	-	(31,153)
Accounts payable and accrued expenses	(12,048)	47,873	-	-	35,825
<u>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</u>	\$ 1,109,203	\$ 1,607,212	\$ (85,793)	\$ -	\$ 2,630,622

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, 2012

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, 2012

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, 2012

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.

EOTEC Construction Fund:

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

Proprietary Funds

Proprietary Funds 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, 2012

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 \$782,021 in the proprietary funds. Of this amount, \$27,334 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, 2012

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 corporate debt obligations issued by U.S. corporations and direct debt securities of the United States unless such an investment is expressly prohibited by law. Investments are reported at fair value based on quoted market prices.

H. Inventories and prepaid items:

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

I. Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and 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, 2012

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, 2012

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, 2012 were as follows:

	<u>General</u>	<u>Reserve Fund</u>	<u>Revolving Loan Fund</u>	<u>EOTEC Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Fund balances</u>						
Nonspendable:						
Prepays and deposits	\$ -	\$ -	\$ -	\$ -	\$ 106,839	\$ 106,839
Restricted:						
Debt service	-	1,288,002	-	-	289,355	1,577,357
Culture and recreation	-	5,400	-	-	189,323	194,723
Highways and streets	-	17,101	-	-	386,356	403,457
Utility system development	-	394,505	-	-	-	394,505
Public safety	-	-	-	-	29,984	29,984
Total restricted	-	1,705,008	-	-	895,018	2,600,026

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2012

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

S. Fund Balance (continued)

	General	Reserve Fund	Revolving Loan Fund	EOTEC Construction Fund	Other Governmental Funds	Total Governmental Funds
<u>Fund balances</u>						
Committed:						
Culture and recreation	-	-	-	-	275,836	275,836
Community development	-	-	74,083	-	-	74,083
Utility systems	-	1,117,984	-	-	-	1,117,984
Insurance	-	-	-	-	216,674	216,674
Other reserves	-	45,932	-	-	210,148	256,080
Total committed	-	1,163,916	74,083	-	702,658	1,940,657
Unassigned	5,576,960	-	-	-	-	5,576,960
Ending net assets	\$ 5,576,960	\$ 2,868,924	\$ 74,083	\$ -	\$ 1,704,515	\$ 10,224,482

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

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.

Encumbrances for the year ended June 30, 2012 were as follows:

	General	Reserve Fund	Revolving Loan Fund	Revolving Loan Fund	Other Governmental Funds	Total Governmental Funds
Printing	\$ 800	\$ -	\$ -	\$ -	\$ -	\$ 800

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, 2012

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 ways:
 - 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. The City adopted no supplemental budgets during the year.

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2012

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, 2012:

General Fund:

Materials and services \$ 57,003

911 Communications Fund:

Transfers out \$ 4,997

Municipal Court Fund:

Materials and services \$ 182,114

Conference Center Fund:

Materials and services \$ 35,443

Utility Fund:

Personal services \$ 8,294

Energy Fund:

Capital outlay \$ 120,082

WWTP Construction Fund:

Debt service \$ 1,527,334

EOTEC Construction Fund:

Materials and services \$ 57

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2012

NOTE 3 – CASH AND INVESTMENTS:

Cash:

Cash on hand	\$ 1,410
Demand deposits, Banner Bank	1,195,854
Demand deposits, U.S. National Bank	3,173,945
Cash subtotal	<u>4,371,209</u>

Investments:

		<u>Credit</u> <u>Quality</u> <u>Rating</u>	<u>Percentage of</u> <u>Total</u> <u>Investments</u>	<u>Weighted</u> <u>Average</u> <u>Maturity</u> <u>Years</u>
U.S. Government agency discount notes:				
Federal Home Loan Bank	2,249,012		12.7%	0.36
Federal Home Loan Mortgage Corporation	3,097,762		17.5%	0.49
Federal Farm Credit Bank	1,999,954		11.3%	0.07
Federal National Mortgage Association	2,598,799		14.7%	0.27
U.S. Government agency discount notes subtotal	<u>9,945,527</u>			
U.S. Government agency bonds:				
Federal Home Loan Bank	999,827		5.7%	0.86
Corporate notes:				
Wells Fargo Company	587,640	A2	3.3%	0.59
PepsiCo, Inc	589,974	Aa3	3.3%	0.63
Berkshire Hathaway	595,170	Aa2	3.4%	0.87
Corporate notes subtotal	<u>1,772,784</u>			
U.S. National Bank Time Certificate of Deposit	4,940,000		28.0%	0.93
Total cash and investments, June 30, 2012	<u>\$ 22,029,347</u>		<u>100.0%</u>	

Portfolio weighted average maturity 0.56

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, 2012, the total bank balance was \$9,309,799. 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, 2012

NOTE 3 – CASH AND INVESTMENTS (continued):

Interest Rate Risk – Investments

As of June 30, 2012, the City's weighted average maturity of its investment portfolio was 0.56 years. The City invests in short-term corporate and U.S. Government securities. These securities will be redeemed for full value at maturity.

Credit Risk – Investments

The City invests in corporate securities and securities of U.S. Government sponsored enterprises. Credit quality ratings issued by Moody's Investment Service are listed by corporate issuer on the previous page. 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 corporate debt, 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, 2012 all of the City's \$12,718,138 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, 2012 was as follows:

	<u>Balance June 30, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 2,208,670	\$ 44,398	\$ -	\$ 2,253,068
Construction in progress	11,523	79,862	(11,523)	79,862
Total capital assets not being depreciated	<u>2,220,193</u>	<u>124,260</u>	<u>(11,523)</u>	<u>2,332,930</u>

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2012

NOTE 4 – CAPITAL ASSETS (continued):

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
<u>Governmental Activities (continued):</u>				
Capital assets being depreciated:				
Buildings and improvements	12,167,400	43,703	-	12,211,103
Machinery and equipment	2,114,178	298,232	(20,600)	2,391,810
Street system	14,930,491	227,032	-	15,157,523
Total capital assets being depreciated	<u>29,212,069</u>	<u>568,967</u>	<u>(20,600)</u>	<u>29,760,436</u>
Less: Accumulated depreciation:				
Buildings and improvements	(6,356,359)	(366,613)	-	(6,722,972)
Machinery and equipment	(1,765,566)	(140,872)	20,600	(1,885,838)
Street system	(9,856,050)	(334,489)	-	(10,190,539)
Total accumulated depreciation	<u>(17,977,975)</u>	<u>(841,974)</u>	<u>20,600</u>	<u>(18,799,349)</u>
Total capital assets being depreciated, net	<u>11,234,094</u>	<u>(273,007)</u>	<u>-</u>	<u>10,961,087</u>
Governmental activities capital assets, net	<u>\$ 13,454,287</u>	<u>\$ (148,747)</u>	<u>\$ (11,523)</u>	<u>\$ 13,294,017</u>
<u>Business-type Activities:</u>				
Capital assets not being depreciated:				
Land and easements	\$ 672,808	\$ 400,000	\$ -	\$ 1,072,808
Construction in progress	4,637,047	837,286	(183,378)	5,290,955
Total capital assets not being depreciated	<u>5,309,855</u>	<u>1,237,286</u>	<u>(183,378)</u>	<u>6,363,763</u>
Capital assets being depreciated:				
Utility system and buildings	35,015,806	693,343	-	35,709,149
Electric system	15,544,646	246,957	-	15,791,603
Equipment and vehicles	932,469	19,215	-	951,684
Total capital assets being depreciated	51,492,921	959,515	-	52,452,436

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2012

NOTE 4 – CAPITAL ASSETS (continued):

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
<u>Business-type Activities (continued):</u>				
Less: Accumulated depreciation:				
Utility system and buildings	(18,454,840)	(574,008)	-	(19,028,848)
Electric system	(4,081,220)	(474,791)	-	(4,556,011)
Equipment and vehicles	(753,075)	(40,506)	-	(793,581)
Total accumulated depreciation	<u>(23,289,135)</u>	<u>(1,089,305)</u>	-	<u>(24,378,440)</u>
Total capital assets being depreciated, net	<u>28,203,786</u>	<u>(129,790)</u>	-	<u>28,073,996</u>
Business-type activities capital assets, net	<u>\$ 33,513,641</u>	<u>\$ 1,107,496</u>	<u>\$ (183,378)</u>	<u>\$ 34,437,759</u>

Depreciation was charged to functions and programs as follows:

Governmental Activities:	
General government	\$ 87,680
Public safety	81,937
Highways and streets	377,312
Cultural and recreation	295,045
Total depreciation expense of governmental activities	<u>\$ 841,974</u>
Business-type activities:	
Water	\$ 291,772
Sewer	146,709
Electricity	474,791
Regional Water	176,033
Total depreciation expense of business-type activities	<u>\$ 1,089,305</u>

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2012

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.

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 general obligation bonds in March 2003 for \$3,635,000 to finance construction of an aquatic center.

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.

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.

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2012

NOTE 6 – LONG-TERM DEBT (continued):

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

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%	\$ 3,265,000
Business-type activities:		
2005 Electric System Revenue Bonds	3.35%-4.60%	12,530,000
2007 Refunding Utility Bonds	4.10%	1,396,731
2011 Refunding Water Bonds	2.0% - 4.0%	3,230,000
Gross amount of bonds		20,421,731
Unamortized refunding costs		(88,998)
Unamortized premium		154,226
Unamortized original issue discount		(110,150)
Total bonds		<u>\$ 20,376,809</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>
2013	\$ 60,000	\$ 142,391	\$ 735,469	\$ 709,005
2014	65,000	140,155	741,791	684,581
2015	75,000	137,469	782,744	658,717
2016	80,000	134,369	833,314	630,302
2017	90,000	130,969	873,413	598,848
2018-2022	580,000	589,816	3,490,000	2,560,778
2023-2027	855,000	436,721	3,955,000	1,720,163
2028-2032	1,180,000	205,479	4,620,000	801,451
2033-2037	280,000	6,475	1,125,000	25,313
Totals	<u>\$ 3,265,000</u>	<u>\$ 1,923,844</u>	<u>\$ 17,156,731</u>	<u>\$ 8,389,158</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, 2012

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 matured March 8, 2012. Variable interest at 55% of the US Bank Prime Rate is due at maturity, presently 1.7875%.

Notes currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-type activities:		
Business Oregon	4.99%	\$ 63,911
Oregon Dept. of Environmental Quality	2.83%	881,726
Total Business-type activities		<u>\$ 945,637</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>
2013	\$ 6,695	\$ 3,189
2014	7,029	2,855
2015	130,753	108,230
2016	259,486	25,060
2017	267,095	16,173
2018-2022	<u>274,579</u>	<u>8,460</u>
Totals	<u>\$ 945,637</u>	<u>\$ 163,967</u>

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2012

NOTE 6 – LONG-TERM DEBT (continued):

Changes in long-term debt:

Long-term liability activity for the year ended June 30, 2012 was as follows:

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012	Due Within One Year
Government Activities:					
2003 Pool Bonds	\$ 3,320,000	\$ -	\$ (55,000)	\$ 3,265,000	\$ 60,000
Compensated absences	229,516	358,757	(319,825)	268,448	214,758
Total Governmental Activities	<u>\$ 3,549,516</u>	<u>\$ 358,757</u>	<u>\$ (374,825)</u>	<u>\$ 3,533,448</u>	<u>\$ 274,758</u>
Business-Type Activities:					
2000 Refunding Water Bonds	\$ 3,455,000	\$ -	\$ (3,455,000)	\$ -	\$ -
2005 Electric Revenue Bonds	12,730,000	-	(200,000)	12,530,000	225,000
2007 Refunding Utility Bonds	1,645,241	-	(248,510)	1,396,731	255,469
2011 Refunding Water Bonds	-	3,230,000	-	3,230,000	255,000
Total bonds	<u>17,830,241</u>	<u>3,230,000</u>	<u>(3,903,510)</u>	<u>17,156,731</u>	<u>735,469</u>
Notes Payable:					
Business Oregon	70,288	-	(6,377)	63,911	6,695
Oregon Dept. of Environmental Quality	581,331	300,395	-	881,726	-
2008 Utility line of credit	1,500,000	-	(1,500,000)	-	-
Total notes	<u>2,151,619</u>	<u>300,395</u>	<u>(1,506,377)</u>	<u>945,637</u>	<u>6,695</u>
Compensated absences	66,791	86,822	(79,465)	74,148	59,318
Total Business-type Activities	<u>\$ 20,048,651</u>	<u>\$ 3,617,217</u>	<u>\$ (5,489,352)</u>	<u>\$ 18,176,516</u>	<u>\$ 801,482</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, 2012

NOTE 8 - INTERFUND TRANSACTIONS:

Interfund transfers:

Transfer Out:	Transfer In:					Total Transfers Out
	General	Reserve	Utility	Regional Water	Nonmajor Governmental	
General	\$ -	\$ -	\$ -	\$ -	\$ 720,466	\$ 720,466
Reserve	2,000	-	732,834	121,838	7,900	864,572
Utility	-	452,295	-	-	-	452,295
Regional Water	-	50,000	-	-	-	50,000
Energy	359,225	-	-	-	-	359,225
Non-major governmental	-	291,700	65,772	300,589	4,997	663,058
Total Transfers in	<u>\$ 361,225</u>	<u>\$ 793,995</u>	<u>\$ 798,606</u>	<u>\$ 422,427</u>	<u>\$ 733,363</u>	<u>\$ 3,109,616</u>

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

Net transfers to business-type activities:

Transfers in:

Utility	\$ 798,606
Regional water fund	422,427

Transfers out:

Utility	(452,295)
Regional water fund	(50,000)
Energy fund	(359,225)
	<u>\$ 359,513</u>

Net transfers from governmental activities:

Transfers in:

General fund	\$ 361,225
Reserve fund	793,995
Non-major governmental funds	733,363

Transfer out:

General fund	(720,466)
Reserve fund	(864,572)
Non-major governmental funds	(663,058)
	<u>\$ (359,513)</u>

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2012

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, 2012

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	\$ 917,016
Oregon State liquor and cigarette taxes	235,498
Oregon State revenue sharing	<u>144,331</u>
Total	<u>\$ 1,296,845</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>
<u>GAAP BASIS NET CHANGE IN FUND</u>			
<u>BALANCES ADD (DEDUCT):</u>	\$ 499,140	\$ (663,708)	\$ 221
Change in receivables	77,006	(13,295)	131,874
Changes in unearned investment (gains) losses	2,444	3,909	-
Change in encumbrances	30,000	168,522	-
Change in deferred revenue	24,070	-	(132,704)
<u>BUDGETARY BASIS NET CHANGE IN FUND BALANCES</u>	<u>\$ 632,660</u>	<u>\$ (504,572)</u>	<u>\$ (609)</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>
<u>GAAP BASIS FUND BALANCES</u>			
<u>ADD (DEDUCT):</u>	\$ 5,576,960	\$ 2,868,924	\$ 74,083
Receivables	(505,580)	(13,295)	(1,196,678)
Unearned investment (gains) losses	(3,212)	2,727	-
Encumbrances	-	-	-
Deferred revenue	355,252	-	1,147,148
<u>BUDGET BASIS FUND BALANCES</u>	<u>\$ 5,423,420</u>	<u>\$ 2,858,356</u>	<u>\$ 24,553</u>

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2012

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.

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2012

B. Funding Policy

Members of PERS are required to contribute 6.00% of their salary covered under the plan. The City elects to pay the employees' required contributions. The employer is required by ORS 238.225 to contribute at an actuarially determined rates. The current rates are 16.02% of salary covered for PERS, 11.33% for General Service OPSRP, and 14.04% 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

For 2012, the City's annual pension cost of \$977,574 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2010 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 8.25% 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 2011 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
2010	\$ 631,961	100%	\$ -
2011	853,856	100%	-
2012	977,574	100%	-

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 Statue (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.

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2012

NOTE 15 -- POSTEMPLOYMENT HEALTH INSURANCE PLAN (Continued):

Retirement Health Insurance Account (RHIA)(Continued)

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

Participating governments are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.59% of annual covered payroll. The OPERS Board of Trustees sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The City's contributions to RHIA for the years ended June 30, 2012, 2011 and 2010 were \$27,902, \$15,352 and \$16,158, which equaled the required contributions each year.

NOTE 16 – JOINT VENTURE:

In March 2012, the City entered into an intergovernmental agreement with Umatilla County establishing the Eastern Oregon Trade and Event Center Authority to acquire, construct, own, manage and operate the Eastern Oregon Trade and Event Center. The City anticipates contributing land and infrastructure, but none had been contributed as of June 30, 2012. Additionally, the EOTEC Construction Fund holds \$6.4 million in restricted grant funds for construction of the facility.

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

No separate financial statements are available for the Authority.

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2012

NOTE 17 – SUBSEQUENT EVENTS:

The City is building a wastewater recycling plant. The estimated total cost of this multi-year project is \$27,000,000. 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 \$21,100,000 in DEQ loans. Completion of the project is expected in 2015.

Other projects in process at June 30, 2012 include:

The City received a \$6.4 million grant to construct the Eastern Oregon Trade and Event Center in June 2012. Grant proceeds have been recorded as deferred revenue. The City has committed an additional \$1.65 million to construct infrastructure needed for the facility. Construction has not started and no contracts have been let.

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, 2012

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, 2012

				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
<u>ASSETS:</u>											
Cash and investments	\$ 386,356	\$ 98,431	\$ 206,226	\$ 58,680	\$ 456,324	\$ 110,956	\$ -	\$ 74,761	\$ 53,046	\$ 284,623	\$ 1,729,403
Receivables (net of allowances for uncollectible):											
Property taxes	-	-	-	-	-	-	-	-	-	33,800	33,800
Prepaid items	-	-	-	-	106,839	-	-	-	-	-	106,839
Total assets	<u>\$ 386,356</u>	<u>\$ 98,431</u>	<u>\$ 206,226</u>	<u>\$ 58,680</u>	<u>\$ 563,163</u>	<u>\$ 110,956</u>	<u>\$ -</u>	<u>\$ 74,761</u>	<u>\$ 53,046</u>	<u>\$ 318,423</u>	<u>\$ 1,870,042</u>
<u>LIABILITIES AND FUND BALANCES</u>											
<u>LIABILITIES:</u>											
Accounts payable	\$ -	\$ -	\$ -	\$ 58,680	\$ 39,429	\$ 3,500	\$ -	\$ -	\$ -	\$ -	\$ 101,609
Deferred revenues	-	-	-	-	-	-	-	34,850	-	29,068	63,918
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,680</u>	<u>39,429</u>	<u>3,500</u>	<u>-</u>	<u>34,850</u>	<u>-</u>	<u>29,068</u>	<u>165,527</u>
<u>FUND BALANCES:</u>											
Nonspendable	-	-	-	-	106,839	-	-	-	-	-	106,839
Restricted	386,356	98,431	75,477	-	-	-	-	29,984	15,415	289,355	895,018
Committed	-	-	130,749	-	416,895	107,456	-	9,927	37,631	-	702,658
Total fund balances	<u>386,356</u>	<u>98,431</u>	<u>206,226</u>	<u>-</u>	<u>523,734</u>	<u>107,456</u>	<u>-</u>	<u>39,911</u>	<u>53,046</u>	<u>289,355</u>	<u>1,704,515</u>
Total liabilities and fund balances	<u>\$ 386,356</u>	<u>\$ 98,431</u>	<u>\$ 206,226</u>	<u>\$ 58,680</u>	<u>\$ 563,163</u>	<u>\$ 110,956</u>	<u>\$ -</u>	<u>\$ 74,761</u>	<u>\$ 53,046</u>	<u>\$ 318,423</u>	<u>\$ 1,870,042</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, 2012**

				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	
REVENUES:											
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 353,079	\$ 353,079
Transient room tax	-	64,428	-	-	-	-	-	-	-	-	64,428
911 Tax	-	-	-	-	-	-	112,098	-	-	-	112,098
Intergovernmental	917,016	-	-	-	-	-	-	-	-	-	917,016
Fines and forfeits	-	-	-	184,410	-	-	-	11,325	-	-	195,735
Charges for services	-	-	91,989	-	160,577	141,230	-	-	-	-	393,796
Grants and contributions	176,877	-	14,514	-	200,000	-	-	35,406	7,774	-	434,571
Miscellaneous	-	-	-	-	52,424	-	-	12,078	23,505	35,398	123,405
Total revenues	<u>1,093,893</u>	<u>64,428</u>	<u>106,503</u>	<u>184,410</u>	<u>413,001</u>	<u>141,230</u>	<u>112,098</u>	<u>58,809</u>	<u>31,279</u>	<u>388,477</u>	<u>2,594,128</u>
EXPENDITURES:											
Current:											
General government	-	-	-	200,619	61,424	-	-	-	-	-	262,043
Public safety	-	-	-	-	-	-	628,204	49,628	-	-	677,832
Highways and streets	580,281	-	-	-	-	-	-	-	-	-	580,281
Cultural and recreation	-	47,106	96,790	-	-	119,683	-	-	47,373	-	310,952
Capital Outlay:											
General government	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-	-
Cultural and recreation	-	-	-	-	-	-	-	-	-	-	-
Debt service:											
Principal	-	-	-	-	-	-	-	-	-	55,000	55,000
Interest	-	-	-	-	-	-	-	-	-	144,363	144,363
Total expenditures	<u>580,281</u>	<u>47,106</u>	<u>96,790</u>	<u>200,619</u>	<u>61,424</u>	<u>119,683</u>	<u>628,204</u>	<u>49,628</u>	<u>47,373</u>	<u>199,363</u>	<u>2,030,471</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>513,612</u>	<u>17,322</u>	<u>9,713</u>	<u>(16,209)</u>	<u>351,577</u>	<u>21,547</u>	<u>(516,106)</u>	<u>9,181</u>	<u>(16,094)</u>	<u>189,114</u>	<u>563,657</u>
OTHER FINANCING SOURCES (USES):											
Transfers in	-	-	7,900	-	-	-	521,103	4,997	-	199,363	733,363
Transfers out	(291,700)	-	-	-	(65,772)	-	(4,997)	-	-	(300,589)	(663,058)
Total other financing sources (uses)	<u>(291,700)</u>	<u>-</u>	<u>7,900</u>	<u>-</u>	<u>(65,772)</u>	<u>-</u>	<u>516,106</u>	<u>4,997</u>	<u>-</u>	<u>(101,226)</u>	<u>70,305</u>
NET CHANGE IN FUND BALANCES	<u>221,912</u>	<u>17,322</u>	<u>17,613</u>	<u>(16,209)</u>	<u>285,805</u>	<u>21,547</u>	<u>-</u>	<u>14,178</u>	<u>(16,094)</u>	<u>87,888</u>	<u>633,962</u>
FUND BALANCES, BEGINNING	<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>
FUND BALANCES, ENDING	<u>\$ 386,356</u>	<u>\$ 98,431</u>	<u>\$ 206,226</u>	<u>\$ -</u>	<u>\$ 523,734</u>	<u>\$ 107,456</u>	<u>\$ -</u>	<u>\$ 39,911</u>	<u>\$ 53,046</u>	<u>\$ 289,355</u>	<u>\$ 1,704,515</u>

CITY OF HERMISTON, OREGON

Reserve Fund

Schedule of Detail Allocations (Non-GAAP Budgetary Basis)

For the Year Ended June 30, 2012

City Ordinances have established specific allocations of the Reserve Fund. The following schedule presents the allocations of the 2011-12 transactions to their specified purposes.

	Balance June 30, 2011	Revenues	Expenditures	Transfers In (Out)	Balance June 30, 2012
<u>ALLOCATIONS:</u>					
Office equipment, finance	\$ 16,057	\$ -	\$ 25,136	\$ 4,000	\$ (5,079)
Airport improvements	9,685	-	-	-	9,685
Park improvements	153	-	-	-	153
Recreation programs	40,666	38,458	18,100	(7,900)	53,124
Parks development	106,747	43,352	46,112	(71,849)	32,138
Centennial bell	2,351	-	-	-	2,351
Street equipment	(115,876)	-	-	115,876	-
Bicycle trails	104,015	-	43,614	6,700	67,101
Street maintenance	46,440	1,358	227,033	169,124	(10,111)
Utility construction	(56,363)	-	-	59,609	3,246
Sewer department equipment	10,017	-	-	7,000	17,017
Water department equipment	10,406	-	-	5,000	15,406
Wastewater treatment plant	408,331	-	-	88,045	496,376
EOTEC Construction	-	-	79,862	-	(79,862)
HES improvements	1,388,202	-	-	-	1,388,202
Regional water system	557,577	-	-	(71,838)	485,739
Wastewater-SDC	85,654	10,803	-	-	96,457
Water-SDC	727,691	15,222	672	(444,193)	298,048
Parks-SDC	21,175	15,200	108,224	71,849	-
Accrued investment interest purchased	-	-	11,635	-	(11,635)
Total reserve fund	<u>\$ 3,362,928</u>	<u>\$ 124,393</u>	<u>\$ 560,388</u>	<u>\$ (68,577)</u>	<u>\$ 2,858,356</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, 2012

	<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>
<u>REVENUES:</u>				
Intergovernmental	<u>\$ 845,000</u>	<u>\$ 845,000</u>	<u>\$ 1,093,893</u>	<u>\$ 248,893</u>
<u>EXPENDITURES:</u>				
Current:				
Highways and streets:				
Personal services	<u>475,945</u>	<u>475,945</u>	<u>459,055</u>	<u>16,890</u>
Materials and services	<u>133,425</u>	<u>133,425</u>	<u>121,226</u>	<u>12,199</u>
Total expenditures	<u>609,370</u>	<u>609,370</u>	<u>580,281</u>	<u>29,089</u>
<u>DEFICIENCY OF REVENUES</u>				
<u>UNDER EXPENDITURES</u>	<u>235,630</u>	<u>235,630</u>	<u>513,612</u>	<u>277,982</u>
<u>OTHER FINANCING SOURCES</u>				
<u>(USES):</u>				
Transfers in	<u>56,070</u>	<u>56,070</u>	<u>-</u>	<u>(56,070)</u>
Transfers out	<u>(291,700)</u>	<u>(291,700)</u>	<u>(291,700)</u>	<u>-</u>
Total other financing sources (uses)	<u>(235,630)</u>	<u>(235,630)</u>	<u>(291,700)</u>	<u>(56,070)</u>
<u>NET CHANGE IN FUND BALANCES</u>	<u>-</u>	<u>-</u>	<u>221,912</u>	<u>221,912</u>
<u>FUND BALANCES, BEGINNING</u>	<u>-</u>	<u>-</u>	<u>164,444</u>	<u>164,444</u>
<u>FUND BALANCES, ENDING</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 386,356</u>	<u>\$ 386,356</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, 2012

	<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>
<u>REVENUES:</u>				
Taxes	\$ 47,500	\$ 47,500	\$ 64,428	\$ 16,928
Grants and contributions	5,000	5,000	-	(5,000)
	<u>52,500</u>	<u>52,500</u>	<u>64,428</u>	<u>11,928</u>
<u>EXPENDITURES:</u>				
Current:				
Culture and recreation:				
Personal services	16,590	16,590	13,407	3,183
Material and services	60,910	60,910	33,699	27,211
	<u>77,500</u>	<u>77,500</u>	<u>47,106</u>	<u>30,394</u>
<u>DEFICIENCY OF REVENUES</u>				
<u>UNDER EXPENDITURES</u>	(25,000)	(25,000)	17,322	42,322
<u>FUND BALANCES, BEGINNING</u>	<u>25,000</u>	<u>25,000</u>	<u>81,109</u>	<u>56,109</u>
<u>FUND BALANCES, ENDING</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,431</u>	<u>\$ 98,431</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, 2012

	<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>
<u>REVENUES:</u>				
Charges for service	\$ -	\$ -	\$ 91,989	\$ 91,989
Grants and contributions	-	-	14,514	14,514
	<u>-</u>	<u>-</u>	<u>106,503</u>	<u>106,503</u>
<u>EXPENDITURES:</u>				
Current:				
Culture and recreation:				
Materials and services	<u>181,385</u>	<u>181,385</u>	<u>88,890</u>	<u>92,495</u>
Total expenditures	<u>181,385</u>	<u>181,385</u>	<u>88,890</u>	<u>92,495</u>
<u>EXCESS (DEFICIENCY) OF REVENUES</u>				
<u>OVER (UNDER) EXPENDITURES</u>	(181,385)	(181,385)	17,613	198,998
<u>FUND BALANCES, BEGINNING</u>	<u>181,385</u>	<u>181,385</u>	<u>188,613</u>	<u>7,228</u>
<u>FUND BALANCES, ENDING</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 206,226</u>	<u>\$ 206,226</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, 2012

	<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>
<u>REVENUES:</u>				
Fines and forfeits	\$ -	\$ -	\$ 184,410	\$ 184,410
	-	-	184,410	184,410
<u>EXPENDITURES:</u>				
Current:				
General Government:				
Materials and services	18,505	18,505	200,619	(182,114)
Total expenditures	18,505	18,505	200,619	(182,114)
<u>EXCESS (DEFICIENCY) OF REVENUES</u>				
<u>OVER (UNDER) EXPENDITURES</u>	(18,505)	(18,505)	(16,209)	2,296
<u>FUND BALANCES, BEGINNING</u>	18,505	18,505	16,209	(2,296)
<u>FUND BALANCES, ENDING</u>	\$ -	\$ -	\$ -	\$ -

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, 2012

	<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>
<u>REVENUES:</u>				
Charges for service	\$ -	\$ -	\$ 160,577	\$ 160,577
Grants and contributions	-	-	200,000	200,000
Miscellaneous income	-	-	52,424	52,424
	<u>-</u>	<u>-</u>	<u>413,001</u>	<u>413,001</u>
<u>EXPENDITURES:</u>				
Current:				
General Government:				
Materials and services	<u>315,825</u>	<u>315,825</u>	<u>127,196</u>	<u>188,629</u>
<u>EXCESS (DEFICIENCY) OF REVENUES</u>				
<u>OVER (UNDER) EXPENDITURES</u>	<u>(315,825)</u>	<u>(315,825)</u>	<u>285,805</u>	<u>601,630</u>
<u>FUND BALANCES, BEGINNING</u>	<u>315,825</u>	<u>315,825</u>	<u>237,929</u>	<u>(77,896)</u>
<u>FUND BALANCES, ENDING</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 523,734</u>	<u>\$ 523,734</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, 2012

	<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>
<u>REVENUES:</u>				
Charges for service	\$ -	\$ -	\$ 141,230	\$ 141,230
	-	-	141,230	141,230
<u>EXPENDITURES:</u>				
Current:				
Culture and recreation:				
Materials and services	84,240	84,240	119,683	(35,443)
Total expenditures	84,240	84,240	119,683	(35,443)
<u>EXCESS (DEFICIENCY) OF REVENUES</u>				
<u>OVER (UNDER) EXPENDITURES</u>	(84,240)	(84,240)	21,547	105,787
<u>FUND BALANCES, BEGINNING</u>	84,240	84,240	85,909	1,669
<u>FUND BALANCES, ENDING</u>	\$ -	\$ -	\$ 107,456	\$ 107,456

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, 2012

	<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>
<u>REVENUES:</u>				
911 communications tax	<u>\$ 110,000</u>	<u>\$ 110,000</u>	<u>\$ 112,098</u>	<u>\$ 2,098</u>
<u>EXPENDITURES:</u>				
Current:				
Public safety:				
Personal services	663,015	663,015	592,205	70,810
Materials and services	43,100	43,100	35,999	7,101
Capital outlay	750	750	-	750
Total expenditures	<u>706,865</u>	<u>706,865</u>	<u>628,204</u>	<u>78,661</u>
<u>EXCESS (DEFICIENCY) OF REVENUES</u>				
<u>OVER (UNDER) EXPENDITURES</u>	<u>(596,865)</u>	<u>(596,865)</u>	<u>(516,106)</u>	<u>80,759</u>
<u>OTHER FINANCING SOURCES</u>				
<u>(USES):</u>				
Transfers in	596,865	596,865	521,103	(75,762)
Transfers out	-	-	(4,997)	4,997
	<u>596,865</u>	<u>596,865</u>	<u>516,106</u>	<u>(80,759)</u>
<u>NET CHANGE IN FUND BALANCES</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>FUND BALANCES, BEGINNING</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>FUND BALANCES, ENDING</u>	<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, 2012

	<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>
<u>REVENUES:</u>				
Fines and forfeits	\$ -	\$ -	\$ 11,325	\$ 11,325
Grants and contributions	-	-	35,406	35,406
Miscellaneous income	-	-	12,078	12,078
	<u>-</u>	<u>-</u>	<u>58,809</u>	<u>58,809</u>
<u>EXPENDITURES:</u>				
Current:				
Public safety:				
Capital outlay	<u>57,720</u>	<u>57,720</u>	<u>49,628</u>	<u>8,092</u>
<u>EXCESS (DEFICIENCY) OF REVENUES</u>				
<u>OVER (UNDER) EXPENDITURES</u>	(57,720)	(57,720)	9,181	66,901
<u>OTHER FINANCING SOURCES</u>				
<u>(USES):</u>				
Transfers in	<u>-</u>	<u>-</u>	<u>4,997</u>	<u>4,997</u>
<u>NET CHANGE IN FUND BALANCES</u>				
	(57,720)	(57,720)	14,178	71,898
<u>FUND BALANCES, BEGINNING</u>				
	<u>57,720</u>	<u>57,720</u>	<u>60,583</u>	<u>2,863</u>
<u>FUND BALANCES, ENDING</u>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,761</u>	<u>\$ 74,761</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, 2012

	<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>
<u>REVENUES:</u>				
Grants and contributions	\$ -	\$ -	\$ 7,774	\$ 7,774
Miscellaneous income	-	-	23,505	23,505
	<u>-</u>	<u>-</u>	<u>31,279</u>	<u>31,279</u>
<u>EXPENDITURES:</u>				
Current:				
Culture and recreation:				
Capital outlay	<u>58,750</u>	<u>58,750</u>	<u>47,373</u>	<u>11,377</u>
Total expenditures	<u>58,750</u>	<u>58,750</u>	<u>47,373</u>	<u>11,377</u>
<u>EXCESS (DEFICIENCY) OF REVENUES</u>				
<u>OVER (UNDER) EXPENDITURES</u>	(58,750)	(58,750)	(16,094)	42,656
<u>FUND BALANCES, BEGINNING</u>	<u>58,750</u>	<u>58,750</u>	<u>69,140</u>	<u>10,390</u>
<u>FUND BALANCES, ENDING</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,046</u>	<u>\$ 53,046</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, 2012

	<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>
<u>REVENUES:</u>				
Property taxes	\$ 365,025	\$ 365,025	\$ 353,700	\$ (11,325)
Miscellaneous income	-	-	35,398	35,398
Total revenues	<u>365,025</u>	<u>365,025</u>	<u>389,098</u>	<u>24,073</u>
<u>EXPENDITURES:</u>				
Debt service:				
2003 pool bonds				
Principal	55,000	55,000	55,000	-
Interest	144,365	144,365	144,363	2
Total expenditures	<u>199,365</u>	<u>199,365</u>	<u>199,363</u>	<u>2</u>
<u>EXCESS OF REVENUES OVER</u>				
<u>EXPENDITURES</u>	<u>165,660</u>	<u>165,660</u>	<u>189,735</u>	<u>24,075</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers in:				
Utility fund (for debt service)	325,850	325,850	325,795	(55)
Energy fund (for debt service)	758,240	758,240	758,239	(1)
General fund (for debt service)	199,365	199,365	199,363	(2)
Debt service (for utility funds):				
Business Oregon	(9,885)	(9,885)	(9,884)	1
Principal:				
2000 regional water bonds	(180,000)	(180,000)	(180,000)	-
2005 Hermiston Energy Service bonds	(200,000)	(200,000)	(200,000)	-
2007 utility refunding bonds	(248,510)	(248,510)	(248,510)	-
Interest:				
2000 regional water bonds	(183,025)	(183,025)	(120,589)	62,436
2005 Hermiston Energy Service bonds	(558,240)	(558,240)	(558,239)	1
2007 utility refunding bonds	(67,455)	(67,455)	(67,401)	54
Total other financing sources (uses)	<u>(163,660)</u>	<u>(163,660)</u>	<u>(101,226)</u>	<u>62,434</u>
<u>NET CHANGE IN FUND BALANCES</u>	2,000	2,000	88,509	86,509
<u>FUND BALANCES, BEGINNING</u>	-	-	196,114	196,114
<u>FUND BALANCES, ENDING</u>	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 284,623</u>	<u>\$ 282,623</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, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<u>REVENUES:</u>				
Charges for services				
Water	\$ 1,631,000	\$ 1,631,000	\$ 2,325,892	\$ 694,892
Sewer	1,996,000	1,996,000	1,839,474	(156,526)
Bond assessments	20,000	20,000	20,928	928
Investment interest	12,000	12,000	5,411	(6,589)
Total revenues	<u>3,659,000</u>	<u>3,659,000</u>	<u>4,191,705</u>	<u>532,705</u>
<u>EXPENDITURES:</u>				
Personal services	1,746,755	1,746,755	1,755,049	(8,294)
Materials and services	1,134,095	1,134,095	1,066,144	67,951
Total expenditures	<u>2,880,850</u>	<u>2,880,850</u>	<u>2,821,193</u>	<u>59,657</u>
<u>EXCESS OF REVENUES OVER EXPENDITURES</u>				
	<u>778,150</u>	<u>778,150</u>	<u>1,370,512</u>	<u>592,362</u>
<u>TRANSFERS OUT:</u>				
Bonded debt fund	(325,855)	(325,855)	(325,795)	60
Reserve fund	(452,295)	(452,295)	(452,295)	-
Total transfers out	<u>(778,150)</u>	<u>(778,150)</u>	<u>(778,090)</u>	<u>60</u>
<u>NET CHANGE IN FUND BALANCES</u>				
	-	-	592,422	592,422
<u>FUND BALANCES, BEGINNING</u>				
	-	-	2,611,573	2,611,573
<u>FUND BALANCES, ENDING</u>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,203,995</u>	<u>\$ 3,203,995</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, 2012

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts	Final Budget- Positive (Negative)
<u>REVENUES:</u>				
Charges for services	\$ 7,200,000	\$ 7,200,000	\$ 7,184,618	\$ (15,382)
Miscellaneous	27,500	27,500	138,233	110,733
Investment interest	9,000	9,000	3,224	(5,776)
Total revenues	<u>7,236,500</u>	<u>7,236,500</u>	<u>7,326,075</u>	<u>89,575</u>
<u>EXPENDITURES:</u>				
Personal services	240,730	240,730	233,957	6,773
Materials and services	6,200,250	6,200,250	5,887,807	312,443
Capital outlay	126,875	126,875	246,957	(120,082)
Total expenditures	<u>6,567,855</u>	<u>6,567,855</u>	<u>6,368,721</u>	<u>199,134</u>
<u>EXCESS OF REVENUES OVER EXPENDITURES</u>				
	668,645	668,645	957,354	288,709
<u>TRANSFERS OUT</u>				
	<u>(758,340)</u>	<u>(758,340)</u>	<u>(758,239)</u>	<u>101</u>
<u>NET CHANGE IN FUND BALANCE</u>				
	(89,695)	(89,695)	199,115	288,810
<u>FUND BALANCES, BEGINNING</u>				
	<u>89,695</u>	<u>89,695</u>	<u>4,115,313</u>	<u>4,025,618</u>
<u>FUND BALANCES, ENDING</u>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,314,428</u>	<u>\$ 4,314,428</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, 2012

	<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>
<u>REVENUES:</u>				
Charges for services	\$ 495,000	\$ 495,000	\$ 465,652	\$ (29,348)
<u>EXPENDITURES:</u>				
Personal services	142,900	142,900	131,222	11,678
Materials and services	389,000	389,000	298,385	90,615
Capital outlay	50,000	50,000	50,000	-
Total expenditures	<u>581,900</u>	<u>581,900</u>	<u>479,607</u>	<u>102,293</u>
<u>NET CHANGE IN FUND</u>				
<u>BALANCE</u>	(86,900)	(86,900)	(13,955)	72,945
<u>FUND BALANCES, BEGINNING</u>	<u>86,900</u>	<u>86,900</u>	<u>801,426</u>	<u>714,526</u>
<u>FUND BALANCES, ENDING</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 787,471</u>	<u>\$ 787,471</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, 2012

	<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>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>REVENUES</u>	-	-	-	-
<u>EXPENDITURES:</u>				
Materials and services	2,500,000	2,500,000	-	2,500,000
Capital outlay	24,500,000	24,500,000	1,209,952	23,290,048
Debt service	-	-	1,527,334	(1,527,334)
Total expenditures	<u>27,000,000</u>	<u>27,000,000</u>	<u>2,737,286</u>	<u>24,262,714</u>
<u>EXCESS (DEFICIENCY) OF REVENUES</u>				
<u>OVER (UNDER) EXPENDITURES</u>	(27,000,000)	(27,000,000)	(2,737,286)	24,262,714
<u>OTHER FINANCING SOURCES:</u>				
Loan proceeds	<u>27,000,000</u>	<u>27,000,000</u>	<u>300,395</u>	<u>(26,699,605)</u>
<u>NET CHANGE IN FUND</u>				
<u>BALANCES</u>	-	-	(2,436,891)	(2,436,891)
<u>FUND BALANCES, BEGINNING</u>	-	-	<u>(969,168)</u>	<u>(969,168)</u>
<u>FUND BALANCES, ENDING</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,406,059)</u>	<u>\$ (3,406,059)</u>

CITY OF HERMISTON, OREGON

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

For the Year Ended June 30, 2012

	<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>
<u>REVENUES:</u>				
Grants and contributions	\$ -	\$ -	\$ 6,400,000	\$ 6,400,000
Investment interest	-	-	8	8
	<u>-</u>	<u>-</u>	<u>6,400,008</u>	<u>6,400,008</u>
<u>EXPENDITURES:</u>				
Current:				
Culture and recreation:				
Materials and services	-	-	57	(57)
Total expenditures	<u>-</u>	<u>-</u>	<u>57</u>	<u>(57)</u>
<u>EXCESS (DEFICIENCY) OF REVENUES</u>				
<u>OVER (UNDER) EXPENDITURES</u>	-	-	6,399,951	6,399,951
<u>FUND BALANCES, BEGINNING</u>	-	-	-	-
<u>FUND BALANCES, ENDING</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,399,951</u>	<u>\$ 6,399,951</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, 2012

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	Revolving Loan Fund	EOTEC Construction Fund	Bonded Debt Fund	Law Enforcement Reserve Fund	Energy Fund	Utility Fund	Regional Water Fund	WWTP Construction Fund
<u>GAAP BASIS FUND BALANCES</u>	\$ 5,576,960	\$ 2,868,924	\$ 74,083	\$ -	\$ 289,355	\$ 39,911	\$ 3,891,070	\$ 14,675,928	\$ 3,481,941	\$ 298,629
<u>ADD (DEDUCT):</u>										
Accounts receivable	(505,580)	(13,295)	(1,196,678)	-	(33,800)	-	(608,734)	(564,499)	(28,111)	-
Receivable due to other entities	-	-	-	-	-	-	-	129,043	-	-
Accrued interest	-	-	-	-	-	-	138,634	47,792	43,344	-
Encumbrances payable	-	-	-	-	-	-	-	(39,248)	-	-
Deferred revenue	355,252	-	1,147,148	6,399,951	29,068	34,850	-	-	-	-
Capital assets	-	-	-	-	-	-	(11,235,590)	(12,574,752)	(6,041,003)	(4,586,414)
Long term debt	-	-	-	-	-	-	12,128,937	1,454,847	3,331,300	881,726
Unrealized investment (gains) or losses	(3,212)	2,727	-	-	-	-	111	736	-	-
Compensated absences	-	-	-	-	-	-	-	74,148	-	-
<u>BUDGETARY BASIS FUND BALANCES</u>	<u>\$ 5,423,420</u>	<u>\$ 2,858,356</u>	<u>\$ 24,553</u>	<u>\$ 6,399,951</u>	<u>\$ 284,623</u>	<u>\$ 74,761</u>	<u>\$ 4,314,428</u>	<u>\$ 3,203,995</u>	<u>\$ 787,471</u>	<u>\$(3,406,059)</u>
<u>GAAP BASIS NET CHANGE IN FUND BALANCES</u>	<u>\$ 499,140</u>	<u>\$ (663,708)</u>	<u>\$ 221</u>	<u>\$ -</u>	<u>\$ 87,888</u>	<u>\$ 14,178</u>	<u>\$ 151,704</u>	<u>\$ 963,994</u>	<u>\$ (40,719)</u>	<u>\$ -</u>
<u>ADD (DEDUCT):</u>										
Change in accounts receivable	77,006	(13,295)	131,874	-	(344)	-	(30,583)	(3,492)	9,184	-
Change in accrued interest	-	-	-	-	-	-	(1,850)	6,390	(34,753)	-
Change in encumbrances payable	30,000	168,522	-	-	-	-	-	(39,248)	-	-
Change in deferred revenue and accrued liabilities	24,070	-	(132,704)	6,399,951	965	-	-	-	-	-
Change in capital assets	-	-	-	-	-	-	227,834	(90,699)	176,033	(1,237,286)
Change in long term debt	-	-	-	-	-	-	(149,890)	(252,562)	(123,700)	(1,199,605)
Change in unrealized gains or losses	2,444	3,909	-	-	-	-	1,900	682	-	-
Change in compensated absences	-	-	-	-	-	-	-	7,357	-	-
<u>BUDGETARY BASIS NET CHANGE IN FUND BALANCES</u>	<u>\$ 632,660</u>	<u>\$ (504,572)</u>	<u>\$ (609)</u>	<u>\$ 6,399,951</u>	<u>\$ 88,509</u>	<u>\$ 14,178</u>	<u>\$ 199,115</u>	<u>\$ 592,422</u>	<u>\$ (13,955)</u>	<u>\$(2,436,891)</u>

CITY OF HERMISTON, OREGON

Schedule of Property Tax Transactions and Outstanding Balances
For the Year Ended June 30, 2012

<u>Fiscal Year</u>	<u>Property Taxes Receivable June 30, 2011</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, 2012</u>
2011-12	\$ -	\$ 4,997,696	\$ (125,251)	\$ (13,260)	\$ 1,377	\$ (4,641,447)	\$ 219,115
2010-11	193,934	-	-	(1,610)	4,691	(85,215)	111,800
2009-10	125,144	-	-	(6,814)	6,714	(50,848)	74,196
2008-09	69,433	-	-	(6,588)	7,646	(39,622)	30,869
2007-08	32,291	-	-	(1,851)	6,738	(30,474)	6,704
2006-07 and prior	6,918	-	-	(934)	1,295	(3,079)	4,200
Totals	<u>\$ 427,720</u>	<u>\$ 4,997,696</u>	<u>\$ (125,251)</u>	<u>\$ (31,057)</u>	<u>\$ 28,461</u>	<u>\$ (4,850,685)</u>	<u>\$ 446,884</u>

CITY OF HERMISTON, OREGON
Schedule of Future Debt Service Requirements
Of Bonds Payable
June 30, 2012

Maturing during Year Ending June 30,	2003		2005		2007		2011		Total	
	Pool Bonds		Energy System Revenue Bonds		Utility Refunding Bonds		Water Refunding Bonds		Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest		
2013	\$ 60,000	\$ 142,391	\$ 225,000	\$ 550,264	\$ 255,469	\$ 57,266	\$ 255,000	\$ 101,475	\$ 795,469	\$ 851,396
2014	65,000	140,155	250,000	541,114	266,791	46,792	225,000	96,675	806,791	824,736
2015	75,000	137,469	275,000	530,739	277,744	35,853	230,000	92,125	857,744	796,186
2016	80,000	134,369	305,000	518,948	293,314	24,466	235,000	86,888	913,314	764,671
2017	90,000	130,969	330,000	506,058	303,413	12,440	240,000	80,350	963,413	729,817
2018	100,000	127,169	365,000	492,158	-	-	250,000	73,000	715,000	692,327
2019	105,000	123,069	395,000	476,464	-	-	255,000	65,425	755,000	664,958
2020	115,000	118,496	430,000	458,933	-	-	260,000	56,400	805,000	633,829
2021	125,000	113,336	470,000	439,808	-	-	270,000	45,800	865,000	598,944
2022	135,000	107,746	510,000	418,090	-	-	285,000	34,700	930,000	560,536
2023	145,000	101,726	550,000	393,710	-	-	295,000	23,100	990,000	518,536
2024	155,000	95,276	595,000	367,375	-	-	300,000	11,200	1,050,000	473,851
2025	170,000	88,119	645,000	338,855	-	-	130,000	2,600	945,000	429,574
2026	185,000	80,131	695,000	308,035	-	-	-	-	880,000	388,166
2027	200,000	71,469	745,000	275,288	-	-	-	-	945,000	346,757
2028	215,000	62,131	800,000	240,525	-	-	-	-	1,015,000	302,656
2029	230,000	52,119	860,000	203,175	-	-	-	-	1,090,000	255,294
2030	230,000	41,625	920,000	163,125	-	-	-	-	1,150,000	204,750
2031	245,000	30,641	985,000	120,263	-	-	-	-	1,230,000	150,904
2032	260,000	18,963	1,055,000	74,363	-	-	-	-	1,315,000	93,326
2033	280,000	6,475	1,125,000	25,313	-	-	-	-	1,405,000	31,788
	<u>\$3,265,000</u>	<u>\$1,923,844</u>	<u>\$ 12,530,000</u>	<u>\$ 7,442,603</u>	<u>\$ 1,396,731</u>	<u>\$ 176,817</u>	<u>\$ 3,230,000</u>	<u>\$ 769,738</u>	<u>\$20,421,731</u>	<u>\$10,313,002</u>

CITY OF HERMISTON, OREGON

Schedule of Long-Term Debt Transactions
For the Year Ended June 30, 2012

	Interest Rate	PRINCIPAL TRANSACTIONS				INTEREST TRANSACTIONS			
		Outstanding June 30, 2011	New Debt Issued	Matured During Year	Outstanding June 30, 2012	Matured and Outstanding June 30, 2011	Matured During Year	Paid During Year	Matured and Outstanding June 30, 2012
<u>BONDS PAYABLE:</u>									
2000 Water Refunding Bonds*	4.75%-5.6%	3,455,000	-	3,455,000	-	-	151,765	151,765	-
2003 Pool Bonds*	2.0%-4.625%	3,320,000	-	55,000	3,265,000	-	144,363	144,363	-
2005 Energy System Revenue Bonds	3.35%-4.60%	12,730,000	-	200,000	12,530,000	-	558,239	558,239	-
2007 Utility Refunding Bonds	4.10%	1,645,241	-	248,510	1,396,731	-	67,401	67,401	-
2011 Water Refunding Bonds	2.0% - 4.0%	-	3,230,000	-	3,230,000	-	26,873	26,873	-
		<u>\$21,150,241</u>	<u>\$ 3,230,000</u>	<u>\$ 3,958,510</u>	<u>\$20,421,731</u>	<u>\$ -</u>	<u>\$ 948,641</u>	<u>\$ 948,641</u>	<u>\$ -</u>

* -- general obligation bonds

CITY OF HERMISTON, OREGON

Annual Accounting of System Development Charges

For the Year Ended June 30, 2012

	<u>Water System</u>	<u>Wastewater System</u>	<u>Parks System</u>
<u>BALANCE, JUNE 30, 2011</u>	\$ 727,691	\$ 85,654	\$ 21,175
<u>REVENUES:</u>			
System development charges collected	15,222	10,803	15,200
<u>EXPENDITURES:</u>			
Reimbursement of capital improvements	<u>(444,865)</u>	<u>-</u>	<u>(36,375)</u>
<u>BALANCE, JUNE 30, 2012</u>	<u>\$ 298,048</u>	<u>\$ 96,457</u>	<u>\$ -</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, 2012

<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	\$ 543,703	\$ 344,341	\$ -	\$ 979,544
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	200,910	693,812	-	-	894,722
	<u>1,285,369</u>	<u>2,969,058</u>	<u>445,843</u>	<u>-</u>	<u>4,700,270</u>
Public safety:					
Police	<u>24,820</u>	<u>836,578</u>	<u>773,582</u>	<u>-</u>	<u>1,634,980</u>
Highway and streets:					
Maintenance	62,461	367,650	878,141	-	1,308,252
Street system	-	-	-	15,157,523	15,157,523
	<u>62,461</u>	<u>367,650</u>	<u>878,141</u>	<u>15,157,523</u>	<u>16,465,775</u>
Culture and recreation:					
Aquatic center	-	3,826,239	-	-	3,826,239
Library	8,500	784,269	-	-	792,769
Parks	823,918	1,605,048	286,749	-	2,715,715
CRC community building	3,000	301,660	-	-	304,660
Community center building	45,000	1,520,601	7,495	-	1,573,096
EOTEC facility	-	79,862	-	-	79,862
	<u>880,418</u>	<u>8,117,679</u>	<u>294,244</u>	<u>-</u>	<u>9,292,341</u>
Total governmental funds capital assets	<u>\$ 2,253,068</u>	<u>\$ 12,290,965</u>	<u>\$ 2,391,810</u>	<u>\$ 15,157,523</u>	<u>\$ 32,093,366</u>

CITY OF HERMISTON, OREGON

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

June 30, 2012 and 2011

	June 30,	
	<u>2012</u>	<u>2011</u>
<u>GOVERNMENTAL FUNDS CAPITAL ASSETS:</u>		
Land	\$ 2,253,068	\$ 2,208,670
Buildings and improvements	12,211,103	12,167,400
Machinery and equipment	2,391,810	2,114,178
Infrastructure	15,157,523	14,930,491
Construction in progress	<u>79,862</u>	<u>11,523</u>
 Total governmental funds capital assets	 <u>\$ 32,093,366</u>	 <u>\$ 31,432,262</u>
 <u>INVESTMENT IN GOVERNMENTAL FUND</u>		
<u>CAPITAL ASSETS BY SOURCE:</u>		
Unsegregated amounts, prior years	\$ 16,896,806	\$ 16,896,806
General fund	3,600,738	3,554,543
Special revenue funds	6,068,862	5,453,953
Capital project funds	5,456,960	5,456,960
Donations	<u>70,000</u>	<u>70,000</u>
 Total governmental funds capital assets	 <u>\$ 32,093,366</u>	 <u>\$ 31,432,262</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, 2012

<u>Function and Activity</u>	Governmental Funds Capital Assets			Governmental Funds Capital Assets
	<u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2012</u>
General government:				
City hall	\$ 935,841	\$ 43,703	\$ -	\$ 979,544
Airport	2,277,729	-	-	2,277,729
Parking	494,380	-	-	494,380
Inspections	53,895	-	-	53,895
Other - unclassified	894,722	-	-	894,722
	<u>4,656,567</u>	<u>43,703</u>	<u>-</u>	<u>4,700,270</u>
Public safety:				
Police	<u>1,632,488</u>	<u>23,092</u>	<u>(20,600)</u>	<u>1,634,980</u>
Highways and streets:				
Maintenance	1,139,730	168,522	-	1,308,252
Infrastructure	14,930,491	227,032	-	15,157,523
	<u>16,070,221</u>	<u>395,554</u>	<u>-</u>	<u>16,465,775</u>
Culture and recreation:				
Aquatic center	3,826,239	-	-	3,826,239
Library	792,769	-	-	792,769
Parks	2,576,222	139,493	-	2,715,715
CRC community building	304,660	-	-	304,660
Community center building	1,573,096	-	-	1,573,096
EOTEC facility	-	79,862	-	79,862
	<u>9,072,986</u>	<u>219,355</u>	<u>-</u>	<u>9,292,341</u>
Total governmental funds capital assets	<u>\$ 31,432,262</u>	<u>\$ 681,704</u>	<u>\$ (20,600)</u>	<u>\$ 32,093,366</u>

STATISTICAL SECTION

CITY OF HERMISTON, OREGON

STATISTICAL SECTION CONTENTS

June 30, 2012

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>
<u>Financial Trends</u>	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	88-92
<u>Revenue Capacity</u>	
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	93-96
<u>Debt Capacity</u>	
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.	97-100
<u>Demographic and Economic Information</u>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	101-103
<u>Operating Information</u>	
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.	104-107

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 Nine Fiscal Years

(Accrual Basis of Accounting)

June 30, 2012

	Fiscal Year								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
<u>GOVERNMENTAL ACTIVITIES:</u>									
Invested in capital assets, net of net of related debt	\$ 10,029,017	\$ 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	2,600,026	3,008,653	1,464,314	-	-	163,822	205,077	327,059	420,776
Unrestricted	7,728,375	6,863,876	6,952,059	6,954,921	7,695,156	6,954,122	7,290,425	8,070,552	9,647,493
Total governmental activities net assets	<u>20,357,418</u>	<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>
<u>BUSINESS-TYPE ACTIVITIES:</u>									
Invested in capital assets, net of related debt	16,380,313	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	5,967,255	7,516,778	6,377,130	5,118,808	4,329,193	4,549,326	4,270,931	3,501,577	2,879,449
Total business-type activities net assets	<u>22,347,568</u>	<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>
<u>TOTAL GOVERNMENT:</u>									
Invested in capital assets, net of related debt	26,409,330	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	2,600,026	3,008,653	1,464,314	-	-	163,822	205,077	327,059	420,776
Unrestricted	13,695,630	14,380,654	13,329,189	12,073,729	12,024,349	11,503,448	11,561,356	11,572,129	12,526,942
Total government net assets	<u>\$42,704,986</u>	<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 Nine Fiscal Years
(Accrual Basis of Accounting)**

June 30, 2012

	Fiscal Year								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
EXPENSES									
Governmental activities:									
General government	\$ 2,074,334	\$ 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	3,577,922	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	961,303	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	2,546,523	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	144,209	145,981	147,203	148,356	149,829	157,475	158,624	130,450	172,979
Total governmental activities expenses	<u>9,304,291</u>	<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	3,021,393	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	1,424,785	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	6,852,679	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>11,298,857</u>	<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>\$ 20,603,148</u>	<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>
PROGRAM REVENUES									
Governmental Activities:									
Charges for services:									
General government	\$ 551,825	\$ 665,312	\$ 987,958	\$ 1,013,349	\$ 646,032	\$ 1,074,679	\$ 1,093,736	\$ 1,301,116	\$ 1,126,180
Public safety	762,125	819,888	825,617	681,836	644,475	104,110	110,257	-	52,255
Cultural and recreation	673,172	638,879	617,699	405,375	572,890	533,716	501,993	338,776	149,027
Operating grants and contributions	93,004	503,157	231,061	225,092	130,437	154,949	92,995	118,356	83,870
Capital grants and contributions	376,926	199,858	236,413	1,194,254	322,692	387,466	-	252,821	191,749
Total governmental activities program revenues	<u>2,457,052</u>	<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	2,767,568	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	1,839,470	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	7,269,150	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>11,876,188</u>	<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>\$ 14,333,240</u>	<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 Nine Fiscal Years
(Accrual Basis of Accounting)

June 30, 2012

	2012	2011	2010	2009	2008	2007	2006	2005	2004
<u>NET (EXPENSE) REVENUE</u>									
Governmental activities	\$ (6,847,239)	\$ (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	577,331	1,137,920	1,434,173	1,073,185	505,606	249,755	636,966	590,119	621,091
Total government expenses	<u>\$ (6,269,908)</u>	<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>
<u>GENERAL REVENUES AND OTHER</u>									
<u>CHANGES IN NET ASSETS</u>									
Governmental activities									
Taxes									
Property taxes	\$ 4,869,851	\$ 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	413,789	364,064	363,115	339,377	320,022	313,442	300,436	275,625	264,908
Franchise fee	396,169	389,756	412,427	508,594	424,780	438,831	393,501	363,315	284,502
911 taxes	112,098	120,827	122,544	138,996	172,219	-	-	-	-
Motor fuel taxes	917,016	780,571	667,479	615,027	682,152	712,278	721,384	707,943	633,688
State shared taxes	379,829	354,712	314,791	334,322	330,842	389,446	427,229	389,551	368,581
Interest and investment earnings	4,109	14,570	10,873	52,759	203,167	349,544	272,280	112,122	75,017
Other revenues	464,493	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	(359,513)	(28,473)	182,056	(214,228)	520,965	(350,294)	(283,839)	(953,614)	1,051,945
Total governmental activities	<u>7,197,841</u>	<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	7,079	18,027	21,272	56,744	174,581	167,017	117,281	56,794	55,820
Other revenues	131,056	196,320	145,606	67,273	84,906	70,742	77,309	95,317	66,565
Transfers	359,513	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>497,648</u>	<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>7,695,489</u>	<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>
<u>CHANGE IN NET ASSETS</u>									
Governmental activities	350,602	1,062,213	945,372	149,174	600,962	(131,212)	(978,082)	(1,034,736)	797,414
Business-type activities	1,074,979	1,380,740	1,418,995	1,411,430	629,742	837,808	1,115,395	1,695,844	(308,469)
Total government	<u>\$ 1,425,581</u>	<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>

(continued from previous page)

CITY OF HERMISTON, OREGON

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

	Fiscal Year								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
<u>GENERAL FUND</u>									
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	5,576,960	5,022,820	-	-	-	-	-	-	-
Total general fund	<u>\$ 5,576,960</u>	<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>
<u>ALL OTHER GOVERNMENTAL FUNDS</u>									
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	106,839	106,260	-	-	-	-	-	-	-
Restricted	2,600,026	3,010,653	-	-	-	-	-	-	-
Committed	1,940,657	1,560,134	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 4,647,522</u>	<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 Nine Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
<u>REVENUES</u>									
Property taxes	\$ 4,844,816	\$ 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	413,789	364,064	363,115	339,377	320,022	313,442	300,436	275,625	264,908
911 tax	112,098	120,827	122,544	138,996	172,219	97,111	119,985	133,766	132,314
Franchise fees	396,169	389,756	412,427	508,594	424,780	438,831	393,501	363,315	284,502
Intergovernmental	1,296,845	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	5,350	5,390	4,580	5,170	5,165	3,165	3,220	2,575	2,305
Fines and forfeits	650,872	703,996	821,037	676,666	534,927	521,637	443,636	359,138	363,724
Investment interest	4,109	14,455	10,873	52,759	203,167	349,544	272,280	112,122	75,017
Charges for services	1,330,900	1,420,083	1,605,657	1,418,724	1,323,305	1,190,868	1,259,130	1,278,179	963,738
Miscellaneous	934,423	1,137,166	1,045,485	2,037,804	1,168,080	1,309,143	781,021	631,458	555,044
Total revenues	<u>9,989,371</u>	<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>
<u>EXPENDITURES</u>									
General government	1,980,031	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	3,467,254	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	580,281	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	2,251,610	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	681,704	376,545	284,884	1,688,420	788,371	937,742	586,452	1,168,738	3,735,143
Debt service:									
Principal	55,000	45,000	45,000	40,000	128,000	118,000	109,000	104,000	146,000
Interest	144,363	145,981	147,309	148,439	154,355	159,645	164,716	169,324	174,150
Total expenditures	<u>9,160,243</u>	<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>
<u>EXCESS (DEFICIENCY) OF REVENUES</u>									
<u>OVER (UNDER) EXPENDITURES</u>	<u>829,128</u>	<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>
<u>OTHER FINANCING SOURCES (USES)</u>									
Transfers in	1,888,583	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	(2,248,096)	(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>(359,513)</u>	<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>
<u>NET CHANGE IN FUND BALANCES</u>	<u>\$ 469,615</u>	<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	2.35%	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>
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%
2012	721,417,475	36,852,100	24,869,020	783,138,595	6.55	933,357,294	83.91%

Source: Umatilla County

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>2012</u>	<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>Direct rates</u>										
City of Hermiston general	6.09	6.09	6.09	6.09	6.09	6.09	5.08	5.08	5.08	4.89
City of Hermiston bond	0.46	0.51	0.52	0.48	0.50	0.17	0.65	0.68	0.70	0.73
Total direct rates	<u>6.55</u>	<u>6.60</u>	<u>6.61</u>	<u>6.57</u>	<u>6.59</u>	<u>6.26</u>	<u>5.73</u>	<u>5.76</u>	<u>5.78</u>	<u>5.62</u>
<u>Overlapping rates</u>										
Umatilla County	3.11	3.11	3.11	3.11	3.12	3.14	3.15	3.15	3.20	3.17
Hermiston School District #8	8.98	9.12	9.26	7.40	8.07	7.99	5.96	7.36	7.88	7.09
Intermountain E.S.D.	0.62	0.56	0.56	0.56	0.56	0.56	0.46	0.46	0.46	0.46
Blue Mountain Community College	0.96	0.97	0.97	0.96	0.99	0.99	0.86	0.84	0.88	0.87
Port of Umatilla	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15
Hermiston Cemetery District #8	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09
Hermiston Fire and Emergency Services District #7-404	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
Umatilla Morrow Radio and Data District	0.17	-	-	-	-	-	-	-	-	-
West Umatilla Mosquito Control District	0.29	0.29	0.34	0.25	0.25	0.25	0.25	0.20	0.20	0.20
Total overlapping rates	<u>15.57</u>	<u>15.49</u>	<u>15.68</u>	<u>13.72</u>	<u>14.43</u>	<u>14.37</u>	<u>12.12</u>	<u>13.45</u>	<u>14.06</u>	<u>13.23</u>
Total	<u><u>22.12</u></u>	<u><u>22.09</u></u>	<u><u>22.29</u></u>	<u><u>20.29</u></u>	<u><u>21.02</u></u>	<u><u>20.63</u></u>	<u><u>17.85</u></u>	<u><u>19.21</u></u>	<u><u>19.84</u></u>	<u><u>18.85</u></u>

CITY OF HERMISTON, OREGON

Principal Taxpayers
June 30, 2012

Taxpayer	Type of Business	2012			2003		
		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	\$ 34,298,500	4.4%	1	\$ 31,738,900	6.4%
Wal-Mart /Sam's Club	Distribution center	2	9,598,010	1.2%			
Retail Trust #2	Shopping center	3	8,815,560	1.1%	4	7,902,590	1.6%
HD Development of Maryland, Inc.	Retailer	4	8,421,390	1.1%			
Hermiston Station, LLC	Unknown	5	8,052,530	1.0%			
Good Shepherd Hospital	Medical offices	6	6,742,990	0.9%	7	5,982,619	1.2%
Umatilla Electric Co-op	Power utility	7	6,512,480	0.8%	9	5,191,230	1.1%
Qwest, Inc.	Telephone utility	8	5,349,500	0.7%	2	8,960,421	1.8%
CMH Manufacturing West, Inc.	Manufacturing plant	9	5,311,940	0.7%			
CDS Hermiston, LLC	Unknown	10	4,761,420	0.6%			
Hermiston Foods LLC	Food processing		-		3	7,968,280	1.6%
Pan Pacific Retail Properties	Shopping center		-		5	7,359,810	1.5%
HBOS Manufacturing	Manufacturing plant		-		10	4,595,380	0.9%
S.R. Innco, Inc.	Apartments		-		8	5,475,660	1.1%
Clay Davis Stroud, LLC	Apartments		-		6	5,999,100	1.2%
			<u>\$ 97,864,320</u>	<u>12.5%</u>		<u>\$ 91,173,990</u>	<u>18.4%</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
2003	2,784,370	2,591,105	93.1	192,948	2,784,053	100.0 %
2004	3,042,382	2,833,672	93.1	208,389	3,042,061	100.0
2005	3,232,964	2,972,550	91.9	260,021	3,232,571	100.0
2006	3,395,907	3,156,735	93.0	238,537	3,395,272	100.0
2007	3,983,206	3,702,634	93.0	278,952	3,981,586	100.0
2008	4,364,595	4,083,728	93.6	274,163	4,357,891	99.8
2009	4,576,241	4,230,533	92.4	314,839	4,545,372	99.3
2010	4,863,080	4,509,768	92.7	279,116	4,788,884	98.5
2011	4,938,735	4,586,786	92.9	240,149	4,826,935	97.7
2012	4,997,696	4,641,447	92.9	-	4,641,447	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			
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	4.91%	1,450
2011	3,320,000	-	0.44%	198	12,730,000	5,100,241	2,151,619	23,301,860	*	1,387
2012	3,265,000	-	0.42%	194	12,530,000	4,626,731	945,637	21,367,368	*	1,267

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, 2012

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to City (1)</u>	<u>Amount Applicable to City</u>
<u>DIRECT:</u>			
City of Hermiston (2)	\$ 3,265,000	100.00%	\$ 3,265,000
<u>OVERLAPPING:</u>			
Umatilla County	18,340,000	17.50%	3,208,680
School District #8	120,383,328	45.89%	55,246,510
Blue Mountain Community College	13,595,000	17.50%	2,378,517
Total overlapping	<u>152,318,328</u>		<u>60,833,708</u>
Total direct and overlapping	<u>\$ 155,583,328</u>		<u>\$ 64,098,708</u>

(1) The Percentage Applicable to the City is computed by dividing the value of property within the City by value of property of the overlapping government.

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

CITY OF HERMISTON, OREGON

Computation of Legal Debt Margin

June 30, 2012

Legal Debt Margin Calculation for Fiscal Year 2012

True cash value	<u>\$933,357,294</u>	
Debt limit (3% of assessed value)		\$28,000,719
Debt applicable to limit:		
Gross bonded debt	\$ 20,421,731	
Less legal deductions:		
Water bonds	(3,230,000)	
Utility bonds	(1,396,731)	
Energy bonds	<u>(12,530,000)</u>	
 Total net debt applicable to limit	 <u>3,265,000</u>	
Legal debt margin		<u>\$24,735,719</u>
Total net debt applicable to the limit as a percentage of debt limit		11.66%

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Debt limit	\$ 14,820,876	\$15,787,304	\$16,840,245	\$17,699,914	\$19,340,500	\$20,077,232	\$21,154,614	\$28,383,011	\$28,053,431
Total net debt applicable to limit	<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>	<u>3,320,000</u>
Legal debt margin	<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>	<u>\$24,733,431</u>
Total net debt applicable to the limit as a percentage of debt limit	24.53%	22.58%	21.02%	19.86%	18.02%	17.18%	16.12%	11.86%	11.83%

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	
Utility						
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
2012	4,194,247	3,058,460	1,135,787	248,510	77,298	3.49
Electric						
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
2012	7,363,608	5,771,389	1,592,219	200,000	567,508	2.07

- (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.

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>
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	29,554	479,218,110	9.7
2011	16,795	*	*	9.1
2012	16,865	*	*	8.5

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>2012</u>			<u>2003</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	9.6%			
Con-Agra Foods	1000	2	8.8%	Information not available		
Wal-Mart Distribution	800	3	7.1%			
River Point Farms	650	4	5.7%			
Good Shepherd Medical Center	465	5	4.1%			
Hermiston School District	455	6	4.0%			
Wal-Mart Supercenter	400	7	3.5%			
Union Pacific Railroad	300	8	2.7%			
Hermiston Foods	275	9	2.4%			
Shearers	200	10	1.8%			
			<u>49.7%</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 Nine Fiscal Years

Full-time Equivalent Employees
as of June 30,

<u>Function/Program</u>	<u>2012</u>	<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	7.97	5.89	6.5	11.2	11.2	11.2	11.2	11.2	11.2
Public safety	36.00	33.00	33.0	35.0	35.0	33.5	33.5	33.5	33.5
Highways and streets	5.34	5.83	5.6	6.3	6.3	6.3	6.3	6.3	6.3
Cultural and recreation	28.72	27.30	23.5	27.5	27.5	27.5	27.5	27	17
Water	10.62	9.92	10.0	10.7	10.7	10.7	10.7	10.7	10.7
Sewer	11.28	8.59	11.0	11.4	11.4	11.4	11.4	11.4	11.4
Electric	2.33	2.54	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Total	<u>102.26</u>	<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 Nine Fiscal Years

<u>FUNCTION/PROGRAM</u>	Fiscal Year								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental Activities:									
General government									
Number of Senior Citizen Taxi Program tickets sold	30,234	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	26,149	27,083	33,621	36,841	26,654	26,016	25,610	*	*
Officer initiated	10,476	12,283	19,893	22,869	11,149	10,366	9,807	*	*
Calls for police service	15,673	14,802	13,728	13,972	15,505	15,650	15,803	*	*
Number of traffic stops	4,932	4,778	6,397	8,177	5,196	5,602	5,104	*	*
Highways and streets									
Estimated miles of street swept	4,964	6,200	5,237	6,800	5,000	10,242	600	*	*
Cultural and recreation									
Number of library items checked out	84,388	86,997	100,412	102,527	100,886	98,072	89,835	60,521	*
Number of library patrons	10,462	9,565	8,773	10,217	10,245	8,984	10,007	9,873	*
Business-type activities:									
Water									
Number of accounts	4,751	4,707	4,543	4,495	4,411	4,362	4,060	3,954	*
Annual consumption (in billions of gallons)	2,605	3,377	3,729	3,513	3,911	2,324	2,983	3,711	*
Sewer									
Number of accounts	4,504	4,449	4,428	4,604	4,314	4,494	4,393	4,283	*
Electricity									
Number of accounts	5,291	5,263	5,296	5,266	5,230	5,232	5,163	5,139	*
KWH sold	107,025,599	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 Nine Fiscal Years

Function/Program	Fiscal Year								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental Activities									
General government									
Administrative buildings	2	2	2	2	2	2	2	2	2
Public Safety									
Police stations	1	1	1	1	1	1	1	1	1
Patrol units									
Cars	15	12	11	13	16	17	12	12	12
Bus	-	-	-	-	1	1	1	1	1
Motorcycles	2	2	3	2	2	2	2	2	2
Highways and streets									
Miles of streets	62	62	62	60	60	60	60	60	60
Culture and recreation									
Library collection:									
Printed materials	35,714	35,578	34,973	34,121	36,305	37,140	39,110	*	*
Audio materials	1,768	1,813	1,665	2,607	2,054	1,081	1,442	*	*
Video materials	1,734	1,961	1,707	1,759	1,618	1,339	1,407	*	*
Electronic materials	3,451	3,412	3,451	3,451	3,451	3,451	3,451	*	*
Business-type activities:									
Water									
Miles of city water line	69	69	69	68	66	66	60	60	60
Miles of regional water system water line	14	14	14	14	14	14	14	14	14
City wells	6	6	6	6	6	6	6	6	6
Sewer: (storm water pump stations (not new))	3								
Sewage pump stations	8	8	8	8	8	8	8	8	8
Clarifiers	4	4	4	4	4	4	4	4	4
Gravity Thickeners	1	1	1	2	2	2	2	1	1
Electric									
Miles of overhead line	37	37	37	37	37	37	37	*	*
Miles of underground line	28	28	27	26	25	25	20	*	*
Transformers	1,397	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, 2012

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: 16,865

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, 2012

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	12
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, 2012, and have issued our report thereon dated October 24, 2012. 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

Management of City of Hermiston, Oregon is responsible for establishing and maintaining effective internal control over financial reporting. 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, 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 control.

Mayor and City Council
City of Hermiston
Page three

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 and Crystal Inners are authorized signers. Donna is the Interim Finance Director and Crystal is the Office Coordinator. Their duties include preparing and producing bank checks.

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. Reconciliation of independent Police Department records of charges and citations to Court records to verify that court records are complete is performed for one month out of each calendar quarter. We recommend the Court reconcile Police Department records of charges to Court records each month.

The Court levies fines, receives payments, and maintains computerized records of fines receivable. Because records of fines receivable can be purged from its computerized recordkeeping system as required by statute, the court reconciles the beginning balance of fines receivable to its ending balance independently of its computerized recordkeeping system. The reconciliation documents assessments, payments, and adjustments. Adjustments are authorized and monitored by the Judge, but specific records are not available. We recommend that a detailed summary of authorized adjustments be maintained and signed by the Judge.

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 review its records of fines receivable and purge as appropriate.

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

Barnett & Moro, P.C.

By: 

Richard L. Stoddard, Shareholder
Hermiston, Oregon
October 24, 2012