

**CITY OF HERMISTON, OREGON**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended**

**June 30, 2013**

**Prepared by the Department of Finance**

**CITY OF HERMISTON, OREGON**

**June 30, 2013**

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## **INTRODUCTORY SECTION**

**CITY OF HERMISTON, OREGON**

**List of Principal Officials**

**June 30, 2013**

**ELECTED OFFICIALS**

Term Expires

Mayor:

Dr. David Drotzmann

December 31, 2014

Council Members:

Lori Davis

December 31, 2014

George L. Anderson

December 31, 2014

Jackie C. Myers

December 31, 2014

Frank J. Harkenrider

December 31, 2014

Manuel Gutierrez

December 31, 2016

Rod S. Hardin

December 31, 2016

John Kirwan

December 31, 2016

Doug Primmer

December 31, 2016

Municipal Judge:

Thomas J. Creasing

December 31, 2016

**APPOINTED OFFICIALS**

City Manager:

Edward Brookshier

Administrative Assistant to the City Manager:

Mark Morgan

Finance Director/City Recorder:

Amy Palmer, CPA

Chief of Police:

Jason Edmiston

Water Superintendent:

Roy Bicknell

Wastewater Superintendent:

Bill Schmittle

Library Director:

Marie L. Baldo

City Attorney:

Gary Luisi

Street Superintendent:

Ron Sivey

HES Superintendent:

Russell Dorran

Building Official:

Chuck Woolsey

Parks & Recreation Director:

Larry Fetter

City Planner:

Clint Spencer

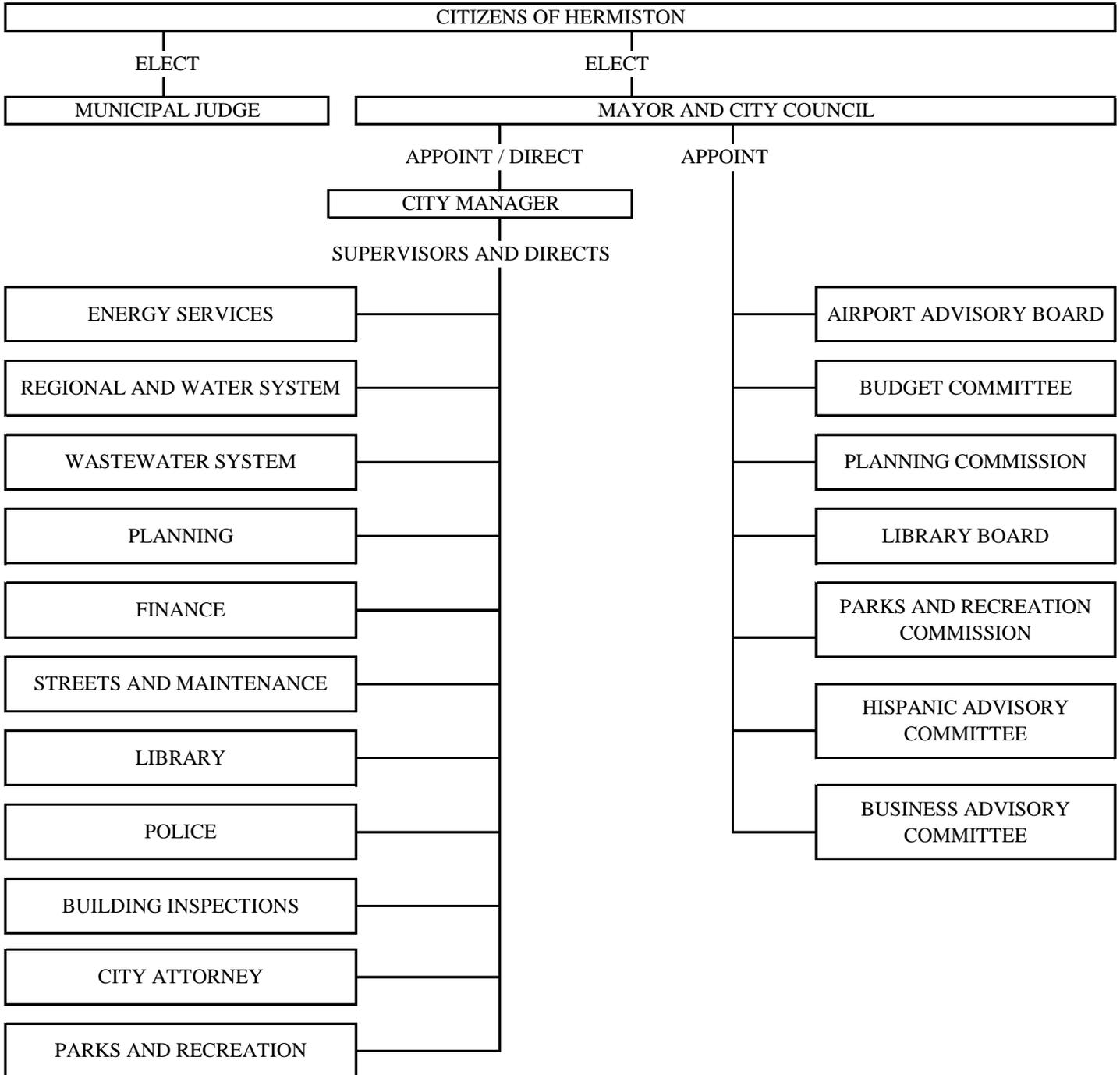
**OFFICIAL ADDRESS**

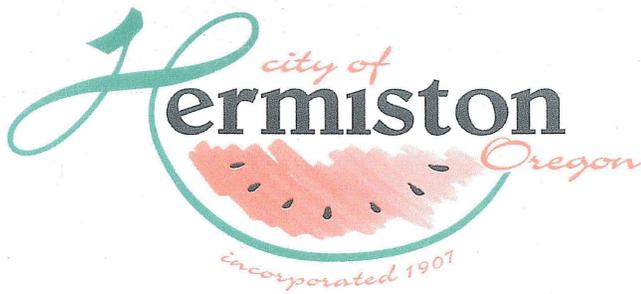
180 N.E. Second Street  
Hermiston, OR 97838  
Telephone: 541-567-5521  
Fax: 541-567-5530

**CITY OF HERMISTON, OREGON**

**Organizational Chart**

**June 30, 2013**





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

November 18, 2013

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, 2013, 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 south of the Tri-Cities, Washington, and six miles south of the Columbia River. The city covers approximately 4,500 acres.

Hermiston is the merging point for two interstate highways, I-82 (north-south) and I-84 (east-west). It offers Union Pacific's Hinkle Rail Yard to the south and the Port of Umatilla's barge loading facilities to the north. Hermiston owns its own airport to complete this hub of commercial and industrial transportation. Hermiston's other municipal facilities include a modern public safety center, housing police and municipal court; Hermiston Conference Center, a regional conference and convention center; public works building; wastewater treatment plant; public library; twelve city parks encompassing 114 acres, and water and sewer utilities. There are approximately 85 full-time city employees and 12 permanent part-time employees. In the 1960s, the voters approved the council-manager form of government. The eight councilors, mayor and a municipal judge are elected, and the council hires a city manager as its administrator.

The City provides a full range of services. 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. There are approximately 34,000 people living within 10 miles of downtown Hermiston, and there are more than 117,000 people employed within a 30 mile radius of the city. The State of Oregon's 2012 population estimate for the city was 16,995.

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 Motion Orthopedic Center built in 2009. In addition to medical services, Regency Hermiston, as assisted living provider, completed an expansion in 2012 and Lifeways is scheduled to complete a new residential care facility in 2014.

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, a 1.2 million square foot Wal-Mart Distribution Center, and \$3.5 million food distribution center of the Church of Jesus Christ of Latter Day Saints. Pioneer HiBred Seed and DuPont have been aggressively investing in Hermiston since 2009. Pioneer initially built a \$35 million processing facility in 2009, which was immediately followed by the development of their North American Research and Development Center in Hermiston in 2010. The two Pioneer operations saw a combined \$35 million investment in 2013 which will double the capacity of the processing facility, and add research capability. The raw commodities required by Pioneer effectively diversify the region's agricultural portfolio and raise the value of grower contracts in the area, while also creating additional opportunities for agricultural support services business.

Located at the intersection of two Interstate freeways makes the community ideally suited for companies moving products to the western states region. Wal-Mart's Hermiston Distribution Center, which serves all Northwest Wal-Mart Retail stores, completed a \$1 million expansion to its conveyor belt system in 2013. This expansion will require additional hiring at the Hermiston location, as the company continues to expand store locations as well as source materials from their e-commerce business through the Hermiston distribution center. FedEx is another national logistics company taking advantage of the region. FedEx Freight opened a full-service distribution center near Hermiston in 2011 to take advantage of the area's freeway access. UPS runs air-cargo out of the Hermiston Municipal Airport, which is scheduled for a \$2 million re-alignment project in 2015.

## Citizens of the City of Hermiston

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 Ordnance Depot in the 1940s and McNary Dam and the Hinkle Rail Yard in the 1950s.

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 16,995 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 455 employees, the fifth largest employer in Hermiston. Hermiston's District 8R opened three new replacement school facilities at an approximate cost of \$63.3 million in 2011. The School District completed a \$5 million replacement of the high school football stadium in 2013. The facility is expected to generate a positive economic impact to Hermiston because it is the only facility in eastern Oregon which meets the requirements to host state-level football, soccer, lacrosse, and track & field tournaments. Additionally Blue Mountain Community College, with a satellite campus in Hermiston, offers advanced education opportunities. 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; an outdoor swimming pool; jogging trails; bicycle lanes; sites for tennis, soccer, horseshoes, miniature golf and all kinds of ball leagues; and golf courses in three neighboring towns. Environmental areas include twelve city parks encompassing 114 acres, Umatilla Wildlife Refuge, Hat Rock State Park and Cold Springs Reservoir.

Culturally, Hermiston is the scene for varied performances at the junior and senior high auditoriums, including events sponsored by the Desert Arts Council, and 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.

## Citizens of the City of Hermiston

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 expanded their chip processing facility with a \$28 million dollar processing line expansion in 2011 adding to their expanding work force.

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. Wal-Mart operates a \$75 million, 1.2 million square foot distribution center which employs approximately 800 workers and transfers merchandise to about 400 trucks daily.

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

The Hermiston region is expecting considerable economic and employment growth.

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

The City is improving its wastewater treatment facilities. The construction contract was awarded to Slayden Construction in November 2012 for \$17,192,897. The estimated total cost of this multi-year project is \$27,100,000. The City expended \$3,883,189 on this project during the year ended June 30, 2013 bringing total expenditures so far on this project to \$9,174,144. The City has secured a low-interest \$21.1 million loan from the State of Oregon to cover the majority of the project costs and is planning to receive an additional low-interest State of Oregon loan and sell bonds to finance the remaining amount. Construction on the plant began in March 2013 and is expected to be completed in late 2014.

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

The City complies with all State of Oregon planning requirements, including comprehensive plan development and periodic review.

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

### AWARDS

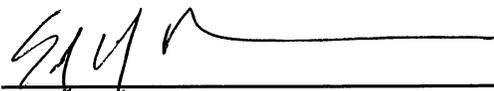
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to City of Hermiston for its comprehensive annual financial report for the fiscal year ended June 30, 2012. This was the twenty-first consecutive 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



Amy Palmer, CPA  
Finance Director



Government Finance Officers Association

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

Presented to

**City of Hermiston  
Oregon**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO

**FINANCIAL SECTION**

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**INDEPENDENT AUDITOR'S REPORT**

Mayor and City Council  
City of Hermiston, Oregon

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Hermiston, Oregon, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hermiston, Oregon, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, State Tax Street Fund, Reserve Fund, and Revolving Loan Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 14 through 19 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.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hermiston, Oregon's basic financial statements. The introductory section, supplementary information section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Mayor and City Council  
City of Hermiston, Oregon  
Page three

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2013, on our consideration of the City of Hermiston, Oregon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Hermiston, Oregon's internal control over financial reporting and compliance.

Barnett & Moro, P.C.

By:



---

Richard L. Stoddard, Shareholder  
Hermiston, Oregon  
November 18, 2013

# CITY OF HERMISTON, OREGON

## Management's Discussion and Analysis

June 30, 2013

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

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

- 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 position and the changes in net position in the government-wide financial statements is provided.

Proprietary funds report the same functions presented as business-type funds in the government-wide financial statements. The City uses 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, 2013**

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 position 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 Position at Year-End  
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Cash and investments	\$ 17,269	\$ 16,460	\$ 6,447	\$ 5,569	\$ 23,716	\$ 22,029
Other assets	4,117	1,856	1,535	1,462	5,652	3,318
Capital assets	12,974	13,294	37,529	34,438	50,503	47,732
Total assets	<u>34,360</u>	<u>31,610</u>	<u>45,511</u>	<u>41,469</u>	<u>79,871</u>	<u>73,079</u>
Other liabilities	7,779	7,988	2,428	1,064	10,207	9,052
Long term debt outstanding	3,259	3,265	20,635	18,057	23,894	21,322
Total liabilities	<u>11,038</u>	<u>11,253</u>	<u>23,063</u>	<u>19,121</u>	<u>34,101</u>	<u>30,374</u>
Net Position:						
Net investment in capital assets	9,715	10,029	16,894	16,381	26,609	26,410
Restricted	2,576	2,600	-	-	2,576	2,600
Unrestricted	11,031	7,728	5,554	5,967	16,585	13,695
Total net position	<u>\$ 23,322</u>	<u>\$ 20,357</u>	<u>\$ 22,448</u>	<u>\$ 22,348</u>	<u>\$ 45,770</u>	<u>\$ 42,705</u>

**CITY OF HERMISTON, OREGON**

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

**June 30, 2013**

**Financial Highlights (continued)**

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>REVENUES</b>						
Program revenues:						
Charges for service	\$ 2,164	\$ 1,987	\$ 11,998	\$ 11,876	\$ 14,162	\$ 13,863
Operating Grants and contributions	92	93	-	-	92	93
Capital Grants and contributions	401	377	-	-	401	377
General revenues:						
Taxes	7,221	7,089	-	-	7,221	7,089
Interest	21	4	10	7	31	11
Change in joint venture net position	846	-	-	-	846	-
Other	553	464	152	131	705	595
Total revenues	<u>11,298</u>	<u>10,014</u>	<u>12,160</u>	<u>12,014</u>	<u>23,458</u>	<u>22,028</u>
<b>EXPENSES</b>						
Governmental activities:						
General government	2,381	2,074	-	-	2,381	2,074
Public safety	4,019	3,578	-	-	4,019	3,578
Highways and streets	1,011	961	-	-	1,011	961
Cultural and recreation	2,740	2,546	-	-	2,740	2,546
Interest on long-term debt	68	144	-	-	68	144
Business-type activities:						
Water	-	-	2,427	3,022	2,427	3,022
Sewer	-	-	1,687	1,425	1,687	1,425
Electric	-	-	7,081	6,852	7,081	6,852
Total expenses	<u>10,219</u>	<u>9,303</u>	<u>11,195</u>	<u>11,299</u>	<u>21,414</u>	<u>20,602</u>
Change in net position before transfers	1,079	711	965	715	2,044	1,426
Transfers	864	(360)	(864)	360	-	-
Change in net position	<u>1,943</u>	<u>351</u>	<u>101</u>	<u>1,075</u>	<u>2,044</u>	<u>1,426</u>
Beginning net position	20,357	20,006	22,348	21,273	42,705	41,279
Prior period adjustment	1,022	-	-	-	1,022	-
Ending net position	<u>\$ 23,322</u>	<u>\$ 20,357</u>	<u>\$ 22,449</u>	<u>\$ 22,348</u>	<u>\$ 45,771</u>	<u>\$ 42,705</u>

## CITY OF HERMISTON, OREGON

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

June 30, 2013

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

The City's overall net position (reported on the government-wide Statement of Activities) increased by \$2,044,000 during the year, not including a prior period adjustment of \$1,021,000. Key elements of the changes in net position 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. Revenues related to governmental activities increased by \$1,284,000, mostly due to changes in Eastern Oregon Trade and Event Center (EOTEC) joint venture equity. The City and Umatilla County each own half of the Center, regardless of how much each contribute. The statement of activities reports \$846,000 related to unequal contributions. Increased taxes, building permits and fines accounted for the remaining increase. Expenses for governmental activities increased by \$916,000 due to increased costs of personal services needed to maintain public safety and other governmental functions, as well as costs related to establishing EOTEC.

The primary fund of the City, the General Fund, ended the year of operations with a decrease in fund balance of \$706,000. Increased revenue of \$314,000 were offset by expenses, which increased by \$763,000 as explained above. Additionally, the General Fund transferred \$750,000 more to other funds than in the previous year to provide funding for infrastructure for economic development and recreation. Transfers also increased to meet the costs of operating 911 communications.

Other major governmental funds include the State Tax Street Fund, Reserve Fund, Revolving Loan Fund, and the EOTEC Construction Fund. The Reserve Fund increased its fund balance by \$1,382,000 due to current year transfers committed for future infrastructure improvements. The EOTEC Fund increased its fund balance by \$1,543,000 due to changes in joint venture equity relating to unequal contributions as described above as well as a tourism promotion assessment levied for the first time this year. The impact of unequal contributions differs between the fund financial statements and the government-wide financial statement because the fund financial statements report only current financial resources.

Other noteworthy changes to current-year results include: increased revenue from fines and forfeitures as well as reduced interest expense as a result of bond refinancing.

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

The Utility Fund experienced a decrease in fund balance of \$753,000, mostly due to increased transfers to the Reserve Fund. Revenues increased by 1.5% over the prior year. Expenses decreased by 6.3% from the prior year because prior-year expenses include significant repair expenses. Transfers to the Reserve Fund increased to provide for future water and sewer infrastructure.

**CITY OF HERMISTON, OREGON**

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

**June 30, 2013**

**Business-Type Activities (Continued)**

The fund balance in the Energy Fund increased by \$78,000 during the year. Revenue and the cost of wholesale electricity were similar to the prior year, but the cost of contracted system management increased due to a scheduled price increase.

The Regional Water Fund experienced an increase in fund balance of \$200,000 compared to a decrease of \$40,000 the year before. Water sales increased by \$146,000 compared to the prior year. Interest expense decreased by \$62,000 due to prior-year refinancing of long-term debt.

The Wastewater Treatment Plant Construction Fund's balance increased by \$573,000 due to transfers from the Reserve Fund. Virtually all other funding was from loan proceeds. All expenses were capitalized.

**Budgetary Highlights**

The City adopted one supplemental budget increasing appropriations by \$1,795,000. Budget overexpenditures are listed in Note 2.

General Fund revenues exceeded budgeted expectations by \$789,000. General Fund budgeted appropriations exceeded actual expenditures by \$192,000. The City has, and will continue to budget conservatively on general revenues and expenditures.

**Capital Assets**

The City had \$50.5 million in capital assets net of depreciation at June 30, 2013 allocated as follows:

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

	Governmental Activities		Business-type Activities		Total Governmental	
	2013	2012	2013	2012	2013	2012
Land and easements	\$ 2,365	\$ 2,253	\$ 1,073	\$ 1,073	\$ 3,438	\$ 3,326
Construction in progress	-	80	9,174	5,291	9,174	5,371
Buildings and systems	5,234	5,468	27,104	27,916	32,338	33,384
Machinery, equipment	439	526	178	158	617	684
Street system	4,936	4,967	-	-	4,936	4,967
Total capital assets	<u>\$ 12,974</u>	<u>\$ 13,294</u>	<u>\$ 37,529</u>	<u>\$ 34,438</u>	<u>\$ 50,503</u>	<u>\$ 47,732</u>

Major changes in capital assets included the following:

The City added \$3,883,000 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 \$333,000 to the electric system.

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, 2013**

#### **Debt Administration**

At year end, the City had \$23.9 million in long term debt outstanding compared to \$21.4 million last year. In addition to refunding \$3.2 million in bonds, the City repaid \$742,000 of long term debt during the year and received \$3.3 million 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 2013-14 budget decreased appropriations by \$8.7 million from the final 2012-13 budget. Appropriations to construct the City's wastewater treatment plant decreased by \$11 million, offsetting a \$1.5 million increase to construct the Eastern Oregon Trade and Event Center and other 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: Amy Palmer, Finance Director, City of Hermiston, 180 N.E. Second Street, Hermiston, OR 97838.

**BASIC FINANCIAL STATEMENTS**

**CITY OF HERMISTON, OREGON**

**Statement of Net Position**  
**June 30, 2013**

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 17,268,871	\$ 6,447,103	\$ 23,715,974
Accounts and other receivables, net	134,343	1,306,917	1,441,260
Prepaid expenses	139,189	-	139,189
Property taxes receivable	410,385	-	410,385
Contracts receivable	1,188,712	-	1,188,712
Bond issue costs, net	54,994	228,069	283,063
Investment in joint venture	2,189,877	-	2,189,877
Capital assets:			
Nondepreciable	2,364,629	10,246,952	12,611,581
Depreciable, net of depreciation	10,609,271	27,282,451	37,891,722
Total assets	<u>34,360,271</u>	<u>45,511,492</u>	<u>79,871,763</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	126,415	1,939,431	2,065,846
Accrued interest payable	8,645	257,676	266,321
Deposits payable	-	163,298	163,298
Deferred revenue	7,339,966	-	7,339,966
Compensated absences payable			
Due within one year	243,535	53,877	297,412
Due in more than one year	60,884	13,469	74,353
Notes payable within one year	-	7,029	7,029
Notes payable in more than one year	-	4,252,840	4,252,840
Bonds payable within one year	135,000	741,791	876,791
Bonds payable in more than one year	3,123,781	15,633,482	18,757,263
Total liabilities	<u>11,038,226</u>	<u>23,062,893</u>	<u>34,101,119</u>
<b><u>NET POSITION</u></b>			
Net investment in capital assets	9,715,119	16,894,261	26,609,380
Restricted for debt service	1,509,387	-	1,509,387
Restricted for culture and recreation	231,205	-	231,205
Restricted for highways and streets	467,413	-	467,413
Restricted for utility system development	338,230	-	338,230
Restricted for public safety	30,064	-	30,064
Unrestricted	11,030,627	5,554,338	16,584,965
Total net position	<u>\$ 23,322,045</u>	<u>\$ 22,448,599</u>	<u>\$ 45,770,644</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, 2013**

	<u>General</u>	<u>State Tax Street Fund</u>	<u>Reserve</u>	<u>Revolving Loan</u>	<u>EOTEC Construction</u>	<u>Other Governmental</u>	<u>Total</u>
<b><u>ASSETS:</u></b>							
Cash and investments	\$ 4,696,398	\$ 506,820	\$ 4,251,079	\$ 24,553	\$ 6,219,591	\$ 1,570,430	\$ 17,268,871
Receivables:							
Property taxes	382,824	-	-	-	-	27,561	410,385
Intergovernmental and other	128,485	-	69	-	-	5,789	134,343
Contracts receivable	-	-	-	1,188,712	-	-	1,188,712
Prepaid items	-	-	-	-	-	139,189	139,189
Investment in joint venture	-	-	-	-	1,543,216	-	1,543,216
Total assets	<u>\$ 5,207,707</u>	<u>\$ 506,820</u>	<u>\$ 4,251,148</u>	<u>\$ 1,213,265</u>	<u>\$ 7,762,807</u>	<u>\$ 1,742,969</u>	<u>\$ 20,684,716</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>							
<b><u>LIABILITIES:</u></b>							
Accounts payable	\$ 14,921	\$ 654	\$ -	\$ -	\$ 49,866	\$ 60,974	\$ 126,415
Deferred revenues:							
Property taxes	321,572	-	-	-	-	23,151	344,723
Contracts and other	-	-	-	1,135,391	6,169,725	34,850	7,339,966
Total liabilities	<u>336,493</u>	<u>654</u>	<u>-</u>	<u>1,135,391</u>	<u>6,219,591</u>	<u>118,975</u>	<u>7,811,104</u>
<b><u>FUND BALANCES:</u></b>							
Nonspendable	-	-	-	-	1,543,216	139,189	1,682,405
Restricted	-	356,166	1,667,262	-	-	477,934	2,501,362
Committed	-	150,000	2,583,886	77,874	-	1,006,871	3,818,631
Assigned	1,859,278	-	-	-	-	-	1,859,278
Unassigned	3,011,936	-	-	-	-	-	3,011,936
Total fund balances	<u>4,871,214</u>	<u>506,166</u>	<u>4,251,148</u>	<u>77,874</u>	<u>1,543,216</u>	<u>1,623,994</u>	<u>12,873,612</u>
Total liabilities and fund balances	<u>\$ 5,207,707</u>	<u>\$ 506,820</u>	<u>\$ 4,251,148</u>	<u>\$ 1,213,265</u>	<u>\$ 7,762,807</u>	<u>\$ 1,742,969</u>	<u>\$ 20,684,716</u>

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

**CITY OF HERMISTON, OREGON**

**Reconciliation of the Governmental Funds Balance Sheet to the  
Statement of Net Position  
June 30, 2013**

<b><u>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</u></b>		\$ 12,873,612
<p>Capital assets used in governmental activities are not financial resources, therefore, are not reported in the governmental funds' balance sheet.</p>		
Acquisition cost	\$ 32,594,750	
Accumulated depreciation	<u>(19,620,850)</u>	12,973,900
<p>Capital assets owned by joint ventures in which the City participates are not financial resources, therefore, are not reported in the governmental funds' balance sheet.</p>		
		646,661
<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>		
		344,723
<p>Accrued compensated absences are not due and payable with current financial resources, therefore, they are not reported in the funds' balance sheet.</p>		
		(304,419)
<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	(3,260,000)	
Bond issue costs and premiums	56,213	
Accrued interest payable	<u>(8,645)</u>	<u>(3,212,432)</u>
<b><u>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</u></b>		<b><u>\$ 23,322,045</u></b>

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

**CITY OF HERMISTON, OREGON**

**Governmental Funds**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**For the Year Ended June 30, 2013**

	<u>General</u>	<u>State Tax Street Fund</u>	<u>Reserve</u>	<u>Revolving Loan</u>	<u>EOTEC Construction</u>	<u>Other Governmental</u>	<u>Total</u>
<b><u>REVENUES:</u></b>							
Property taxes	\$4,697,009	\$ -	\$ -	\$ -	\$ -	\$ 281,350	\$ 4,978,359
Transient room tax	256,955	-	73,416	-	49,634	61,180	441,185
911 tax	-	-	-	-	-	122,058	122,058
Franchise tax	384,155	-	-	-	-	-	384,155
Intergovernmental	409,772	924,983	-	-	-	-	1,334,755
Fees, licenses, and permits	4,355	-	-	-	-	-	4,355
Fines and forfeits	491,139	-	-	-	-	227,689	718,828
Investment interest	5,201	-	5,130	3,791	7,363	-	21,485
Charges for services	939,534	-	54,036	-	-	447,595	1,441,165
Grants and contributions	27,000	171,157	-	1,946	230,226	64,517	494,846
Miscellaneous	369,780	-	79,862	-	-	101,255	550,897
Total revenues	<u>7,584,900</u>	<u>1,096,140</u>	<u>212,444</u>	<u>5,737</u>	<u>287,223</u>	<u>1,305,644</u>	<u>10,492,088</u>
<b><u>EXPENDITURES:</u></b>							
Current:							
General government	1,974,666	-	9,860	1,946	-	284,602	2,271,074
Public safety	3,160,682	-	-	-	-	781,676	3,942,358
Highways and streets	-	608,500	10,022	-	-	-	618,522
Cultural and recreation	1,956,604	-	75,748	-	-	338,355	2,370,707
Debt service:							
Principal	-	-	-	-	-	60,000	60,000
Interest	-	-	-	-	-	72,907	72,907
Capital Outlay:							
General government	-	-	-	-	-	-	-
Public safety	49,284	-	-	-	-	-	49,284
Highways and streets	-	-	452,264	-	-	-	452,264
Cultural and recreation	34,453	-	-	-	237,589	90,820	362,862
Total expenditures	<u>7,175,689</u>	<u>608,500</u>	<u>547,894</u>	<u>1,946</u>	<u>237,589</u>	<u>1,628,360</u>	<u>10,199,978</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u></b>							
	<u>409,211</u>	<u>487,640</u>	<u>(335,450)</u>	<u>3,791</u>	<u>49,634</u>	<u>(322,716)</u>	<u>292,110</u>
<b><u>OTHER FINANCING SOURCES (USES):</u></b>							
Issuance of debt	-	-	-	-	-	3,278,969	3,278,969
Payment to bond escrow agent	-	-	-	-	-	(3,278,969)	(3,278,969)
Change in joint venture fund balance	-	-	-	-	1,492,582	-	1,492,582
Transfers in	356,069	150,000	2,530,330	-	1,000	985,026	4,022,425
Transfers out	(1,471,026)	(517,830)	(812,656)	-	-	(356,475)	(3,157,987)
Total other financing sources (uses)	<u>(1,114,957)</u>	<u>(367,830)</u>	<u>1,717,674</u>	<u>-</u>	<u>1,493,582</u>	<u>628,551</u>	<u>2,357,020</u>
<b><u>NET CHANGE IN FUND BALANCES</u></b>							
	<u>(705,746)</u>	<u>119,810</u>	<u>1,382,224</u>	<u>3,791</u>	<u>1,543,216</u>	<u>305,835</u>	<u>2,649,130</u>
<b><u>FUND BALANCES, BEGINNING</u></b>							
	<u>5,576,960</u>	<u>386,356</u>	<u>2,868,924</u>	<u>74,083</u>	<u>-</u>	<u>1,318,159</u>	<u>10,224,482</u>
<b><u>FUND BALANCES, ENDING</u></b>							
	<u>\$4,871,214</u>	<u>\$ 506,166</u>	<u>\$4,251,148</u>	<u>\$ 77,874</u>	<u>\$ 1,543,216</u>	<u>\$ 1,623,994</u>	<u>\$ 12,873,612</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, 2013**

Net change in fund balances - total governmental funds	\$	2,649,130
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	\$	592,368
Less current year depreciation		<u>(832,623)</u>
		(240,255)
Governmental funds report capital outlays on behalf of joint ventures in which they participate as expenditures. However, capital outlays are reported as assets on the statement of financial position instead of an expense on the statement of activities.		
		192,180
Governmental funds report changes in current financial resources of joint ventures in which they participate. Other changes in joint venture equity are reported on the statement of activities.		
		(646,661)
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 position.		
		60,000
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.		
		(39,597)
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.		
Accrued absences		(35,971)
Accrued interest		5,102
Amortization of bond costs		<u>(581)</u>
<b><u>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</u></b>	<b>\$</b>	<b><u>1,943,347</u></b>

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

**CITY OF HERMISTON, OREGON**

**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget (Non-GAAP Budgetary Basis) and Actual**  
**For the Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget- Positive (Negative)</u>
<b><u>REVENUES:</u></b>				
Property taxes	\$ 4,280,000	\$ 4,280,000	\$ 4,693,587	\$ 413,587
Transient room tax	215,250	215,250	256,955	41,705
Franchise fees	709,400	709,400	726,728	17,328
Intergovernmental	297,000	297,000	390,783	93,783
Fees, licenses, and permits	4,200	4,200	4,355	155
Fines and forfeits	375,000	375,000	491,139	116,139
Investment interest	10,000	10,000	7,075	(2,925)
Charges for services	787,800	787,800	937,592	149,792
Grants and contributions	154,500	154,500	27,000	(127,500)
Miscellaneous	283,000	283,000	369,780	86,780
Total revenues	<u>7,116,150</u>	<u>7,116,150</u>	<u>7,904,994</u>	<u>788,844</u>
<b><u>EXPENDITURES:</u></b>				
Current:				
General government:				
Personal services	839,925	839,925	777,454	62,471
Materials and services	1,012,255	1,257,255	1,214,085	43,170
Public safety:				
Personal services	2,786,545	2,886,545	2,846,109	40,436
Materials and services	295,400	315,400	314,973	427
Highways and streets:				
Personal services	-	-	6,525	(6,525)
Culture and recreation:				
Personal services	1,458,080	1,508,080	1,486,651	21,429
Materials and services	462,450	462,450	447,553	14,897
Capital outlay	139,800	99,800	83,737	16,063
Total expenditures	<u>6,994,455</u>	<u>7,369,455</u>	<u>7,177,087</u>	<u>192,368</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES</u></b>				
<b><u>OVER (UNDER) EXPENDITURES</u></b>				
	<u>121,695</u>	<u>(253,305)</u>	<u>727,907</u>	<u>981,212</u>
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Transfers out	<u>(985,030)</u>	<u>(1,470,030)</u>	<u>(1,470,026)</u>	<u>4</u>
Total other financing sources (uses)	<u>(985,030)</u>	<u>(1,470,030)</u>	<u>(1,470,026)</u>	<u>4</u>
<b><u>NET CHANGE IN FUND BALANCE</u></b>	<u>(863,335)</u>	<u>(1,723,335)</u>	<u>(742,119)</u>	<u>981,216</u>
<b><u>FUND BALANCES, BEGINNING</u></b>	<u>888,335</u>	<u>1,748,335</u>	<u>5,423,420</u>	<u>3,675,085</u>
<b><u>FUND BALANCES, ENDING</u></b>	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ 4,681,301</u>	<u>\$ 4,656,301</u>

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

**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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b><u>REVENUES:</u></b>				
Intergovernmental	<u>\$ 980,000</u>	<u>\$ 980,000</u>	<u>\$ 1,096,140</u>	<u>\$ 116,140</u>
<b><u>EXPENDITURES:</u></b>				
Current:				
Highways and streets:				
Personal services	494,245	494,245	493,596	649
Materials and services	<u>132,925</u>	<u>132,925</u>	<u>114,904</u>	<u>18,021</u>
Total expenditures	<u>627,170</u>	<u>627,170</u>	<u>608,500</u>	<u>18,670</u>
<b><u>DEFICIENCY OF REVENUES</u></b>				
<b><u>UNDER EXPENDITURES</u></b>	<u>352,830</u>	<u>352,830</u>	<u>487,640</u>	<u>134,810</u>
<b><u>OTHER FINANCING SOURCES</u></b>				
<b><u>(USES):</u></b>				
Transfers in	150,000	150,000	150,000	-
Transfers out	<u>(502,830)</u>	<u>(517,830)</u>	<u>(517,830)</u>	<u>-</u>
Total other financing sources (uses)	<u>(352,830)</u>	<u>(367,830)</u>	<u>(367,830)</u>	<u>-</u>
<b><u>NET CHANGE IN FUND BALANCES</u></b>	-	(15,000)	119,810	134,810
<b><u>FUND BALANCES, BEGINNING</u></b>	-	15,000	386,356	371,356
<b><u>FUND BALANCES, ENDING</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 506,166</u>	<u>\$ 506,166</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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES:</u></b>				
Taxes	\$ -	\$ -	\$ 73,416	\$ 73,416
Reimbursements and other	54,540	54,540	150,048	95,508
Total revenues	<u>54,540</u>	<u>54,540</u>	<u>223,464</u>	<u>168,924</u>
<b><u>EXPENDITURES:</u></b>				
Current:				
General government:				
Personal services	-	22,000	5,000	17,000
Capital outlay	<u>4,733,710</u>	<u>5,061,710</u>	<u>1,355,550</u>	<u>3,706,160</u>
Total expenditures	<u>4,733,710</u>	<u>5,083,710</u>	<u>1,360,550</u>	<u>3,723,160</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u></b>				
	<u>(4,679,170)</u>	<u>(5,029,170)</u>	<u>(1,137,086)</u>	<u>3,892,084</u>
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Transfers from:				
General Fund	150,000	500,000	350,000	(150,000)
Utility Fund	1,672,500	1,672,500	1,672,500	-
Street Fund	502,830	502,830	502,830	-
Energy Fund	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Total other financing sources (uses)	<u>2,330,330</u>	<u>2,680,330</u>	<u>2,530,330</u>	<u>(150,000)</u>
<b><u>NET CHANGE IN FUND BALANCE</u></b>				
	<u>(2,348,840)</u>	<u>(2,348,840)</u>	<u>1,393,244</u>	<u>3,742,084</u>
<b><u>FUND BALANCES, BEGINNING</u></b>				
	<u>2,348,840</u>	<u>2,348,840</u>	<u>2,858,356</u>	<u>509,516</u>
<b><u>FUND BALANCES, ENDING</u></b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,251,600</u>	<u>\$ 4,251,600</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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget- Positive (Negative)</u>
<b><u>REVENUES:</u></b>	\$ -	\$ -	\$ -	\$ -
<b><u>EXPENDITURES:</u></b>				
Current:				
Economic development:				
Materials and services	-	-	-	-
<b><u>NET CHANGE IN FUND</u></b>				
<b><u>BALANCE</u></b>	-	-	-	-
<b><u>FUND BALANCES, BEGINNING</u></b>	-	-	24,553	24,553
<b><u>FUND BALANCES, ENDING</u></b>	\$ -	\$ -	\$ 24,553	\$ 24,553

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

**CITY OF HERMISTON, OREGON**

**Proprietary Funds**  
**Statement of Net Position**  
**June 30, 2013**

	Business-Type Activities-Enterprise Funds				Totals
	Utility	Energy	Regional Water	WWTP Construction	
<b><u>ASSETS</u></b>					
<b><u>CURRENT ASSETS:</u></b>					
Cash and cash equivalents	\$ 529,966	\$ 5,027,476	\$ 889,661	\$ -	\$ 6,447,103
Receivable from other proprietary fund	2,141,783	-	-	-	2,141,783
Accounts receivable	709,737	682,328	41,852	-	1,433,917
Allowance for doubtful accounts	(107,000)	(20,000)	-	-	(127,000)
Total current assets	<u>3,274,486</u>	<u>5,689,804</u>	<u>931,513</u>	<u>-</u>	<u>9,895,803</u>
<b><u>NONCURRENT ASSETS:</u></b>					
Capital assets, net	12,130,596	11,003,948	5,864,970	8,529,889	37,529,403
Bond issue costs, net	3,867	178,802	45,400	-	228,069
Total noncurrent assets	<u>12,134,463</u>	<u>11,182,750</u>	<u>5,910,370</u>	<u>8,529,889</u>	<u>37,757,472</u>
Total assets	<u>15,408,949</u>	<u>16,872,554</u>	<u>6,841,883</u>	<u>8,529,889</u>	<u>47,653,275</u>
<b><u>LIABILITIES</u></b>					
<b><u>CURRENT LIABILITIES:</u></b>					
Accounts payable	169,112	481,606	12,871	1,275,842	1,939,431
Payable to other proprietary fund	-	-	-	2,141,783	2,141,783
Accrued interest payable	44,978	136,497	41,219	34,982	257,676
Compensated absences payable	53,877	-	-	-	53,877
Deposits payable	6,400	156,898	-	-	163,298
Notes payable	7,029	-	-	-	7,029
Bonds payable	266,791	250,000	225,000	-	741,791
Total current liabilities	<u>548,187</u>	<u>1,025,001</u>	<u>279,090</u>	<u>3,452,607</u>	<u>5,304,885</u>
<b><u>NONCURRENT LIABILITIES:</u></b>					
Compensated absences payable	13,469	-	-	-	13,469
Notes payable	50,187	-	-	4,202,653	4,252,840
Bonds payable	874,471	11,878,649	2,880,362	-	15,633,482
Total long-term liabilities	<u>938,127</u>	<u>11,878,649</u>	<u>2,880,362</u>	<u>4,202,653</u>	<u>19,899,791</u>
Total liabilities	<u>1,486,314</u>	<u>12,903,650</u>	<u>3,159,452</u>	<u>7,655,260</u>	<u>25,204,676</u>
<b><u>NET POSITION</u></b>					
Net invested in capital assets	10,932,118	(1,124,701)	2,759,608	4,327,236	16,894,261
Unrestricted	<u>2,990,517</u>	<u>5,093,605</u>	<u>922,823</u>	<u>(3,452,607)</u>	<u>5,554,338</u>
Total net position	<u>\$ 13,922,635</u>	<u>\$ 3,968,904</u>	<u>\$ 3,682,431</u>	<u>\$ 874,629</u>	<u>\$ 22,448,599</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 Position**

**For the Year Ended June 30, 2013**

	Business-Type Activities - Enterprise Funds				Totals
	Utility	Energy	Regional Water	WWTP Construction	
<b><u>OPERATING REVENUE:</u></b>					
Charges for sales and services:					
Pledged as security for revenue bonds:					
Electricity	\$ -	\$ 7,184,651	\$ -	\$ -	\$ 7,184,651
Water	2,346,567	-	-	-	2,346,567
Sewer	1,865,292	-	-	-	1,865,292
Miscellaneous revenues	38,457	184,283	-	-	222,740
Unpledged:					
Water	-	-	601,587	-	601,587
Total operating revenue	<u>4,250,316</u>	<u>7,368,934</u>	<u>601,587</u>	<u>-</u>	<u>12,220,837</u>
<b><u>OPERATING EXPENSES:</u></b>					
Cost of sales and services:					
Electricity	-	6,006,046	-	-	6,006,046
Water	1,440,521	-	518,477	-	1,958,998
Sewer	1,392,084	-	-	-	1,392,084
Depreciation and amortization	446,084	504,426	183,559	-	1,134,069
Total operating expenses	<u>3,278,689</u>	<u>6,510,472</u>	<u>702,036</u>	<u>-</u>	<u>10,491,197</u>
<b><u>OPERATING INCOME (LOSS)</u></b>	<u>971,627</u>	<u>858,462</u>	<u>(100,449)</u>	<u>-</u>	<u>1,729,640</u>
<b><u>NONOPERATING REVENUES</u></b>					
<b><u>(EXPENSES):</u></b>					
Interest on investments	5,108	5,540	-	-	10,648
Loss on disposal of property	-	(70,881)	-	-	(70,881)
Interest expense	(57,528)	(570,924)	(75,486)	-	(703,938)
Total nonoperating revenue (expenses)	<u>(52,420)</u>	<u>(636,265)</u>	<u>(75,486)</u>	<u>-</u>	<u>(764,171)</u>
<b><u>INCOME (DEFICIT) BEFORE TRANSFERS</u></b>	<u>919,207</u>	<u>222,197</u>	<u>(175,935)</u>	<u>-</u>	<u>965,469</u>
Transfers in	-	216,706	376,425	576,000	1,169,131
Transfers out	(1,672,500)	(361,069)	-	-	(2,033,569)
Total transfers	<u>(1,672,500)</u>	<u>(144,363)</u>	<u>376,425</u>	<u>576,000</u>	<u>(864,438)</u>
<b><u>CHANGE IN NET POSITION</u></b>	<u>(753,293)</u>	<u>77,834</u>	<u>200,490</u>	<u>576,000</u>	<u>101,031</u>
<b><u>TOTAL NET POSITION - BEGINNING</u></b>	<u>14,675,928</u>	<u>3,891,070</u>	<u>3,481,941</u>	<u>298,629</u>	<u>22,347,568</u>
<b><u>TOTAL NET POSITION - ENDING</u></b>	<u>\$ 13,922,635</u>	<u>\$ 3,968,904</u>	<u>\$ 3,682,431</u>	<u>\$ 874,629</u>	<u>\$ 22,448,599</u>

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, 2013**

	Business-Type Activities - Enterprise Funds				Totals
	Utility	Energy	Regional Water	WWTP Construction	
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>					
Receipts from customers	\$ 4,212,078		\$ 587,846	\$ -	\$ 4,799,924
Payments to suppliers	(885,909)	1,377,224	(367,029)	-	124,286
Payments to employees	(1,909,429)		(138,577)	-	(2,048,006)
Net cash provided by operating activities	<u>1,416,740</u>	<u>1,377,224</u>	<u>82,240</u>	<u>-</u>	<u>2,876,204</u>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>					
Transfer from other funds	-	216,706	376,425	576,000	1,169,131
Transfer to other funds	(1,672,500)	(361,069)	-	-	(2,033,569)
Change in loans payable to (from) other funds	1,103,124	-	103,038	(1,206,162)	-
Net cash provided by (used in) noncapital financing activities	<u>(569,376)</u>	<u>(144,363)</u>	<u>479,463</u>	<u>(630,162)</u>	<u>(864,438)</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>					
Acquisition and construction of capital assets	-	(333,362)	-	(2,690,765)	(3,024,127)
Proceeds from bonds and notes	-	-	-	3,320,927	3,320,927
Proceeds from the sale of assets	-	12,810	-	-	12,810
Interest paid on bonds and notes	(60,342)	(550,264)	(101,475)	-	(712,081)
Principal paid on bonds and notes	(262,164)	(225,000)	(255,000)	-	(742,164)
Net cash provided by (used in) capital and related financing activities	<u>(322,506)</u>	<u>(1,095,816)</u>	<u>(356,475)</u>	<u>630,162</u>	<u>(1,144,635)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>					
Interest received	5,108	5,540	-	-	10,648
<b><u>NET INCREASE IN CASH</u></b>	<u>529,966</u>	<u>142,585</u>	<u>205,228</u>	<u>-</u>	<u>877,779</u>
<b><u>CASH AND CASH EQUIVALENTS, BEGINNING</u></b>	<u>-</u>	<u>4,884,891</u>	<u>684,433</u>	<u>-</u>	<u>5,569,324</u>
<b><u>CASH AND CASH EQUIVALENTS, ENDING</u></b>	<u>\$ 529,966</u>	<u>\$ 5,027,476</u>	<u>\$ 889,661</u>	<u>\$ -</u>	<u>\$ 6,447,103</u>
<b><u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u></b>					
Operating income (loss)	\$ 971,627	\$ 858,462	\$ (100,449)	\$ -	\$ 1,729,640
<b><u>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u></b>					
Depreciation and amortization	446,084	504,426	183,559	-	1,134,069
Change in assets and liabilities:					
Accounts receivable	(38,238)	(53,594)	(13,741)	-	(105,573)
Accounts payable and accrued expenses	37,267	67,930	12,871	-	118,068
<b><u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u></b>	<u>\$ 1,416,740</u>	<u>\$ 1,377,224</u>	<u>\$ 82,240</u>	<u>\$ -</u>	<u>\$ 2,876,204</u>

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

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2013**

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

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

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

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

**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, 2013**

**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, 2013**

**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.

**State Tax Street Fund:**

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

**Reserve Fund:**

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

**Revolving Loan Fund:**

This fund is used to account for housing and business development revolving loans. The fund's resources come from loan repayment.

**EOTEC Construction Fund:**

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

**Proprietary Funds**

Proprietary Funds account for operations which are financed and operated with the intent that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Proprietary funds distinguish between operating and non-operating revenues and expenses. Operating revenues and expenses generally result from providing goods and services in connection with the fund's principal purpose. The City reports the following major proprietary funds:

**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, 2013**

**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 interest expense of \$738,920 in the proprietary funds. Of this amount, \$34,982 was included in the cost of capital assets under construction and \$703,938 was expensed.

Long-term debt and other long-term obligations are reported as liabilities in the government-wide financial statements and the fund financial statements of the proprietary funds. Bond premiums and discounts are deferred and amortized over the life of the bond. Bonds payable are reported net of the applicable premium or discount. Bond issuance costs are 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, 2013**

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

**F. 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.

A portion of the City's investments are invested in an external investment pool, The Oregon Short-Term Fund. Numerous local governments in Oregon, as well as state of Oregon agencies, participate in the Fund. The fair value of the City's position in the pool is the same as the value of the pool shares. The Fund is not registered with the U.S. Securities and Exchange Commission. The State's investment policies are governed by Oregon Revised Statutes and the Oregon Investment Council. The State Treasurer is the investment officer for the Council. Investments in the Fund are further governed by portfolio guidelines issued by the Fund Board.

**G. 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.

**H. 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.

**I. 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.

**J. 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, 2013**

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

**K. 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.

**L. Income taxes:**

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

**M. 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.

**N. Credit risk:**

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

**O. Interest income:**

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

**P. 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, 2013**

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

**P. 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, 2013 were as follows:

	<u>General</u>	<u>State Tax Street Fund</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:							
Investment in joint venture	\$ -	\$ -	\$ -	\$ -	\$ 1,543,216	\$ -	\$ 1,543,216
Prepays and deposits	-	-	-	-	-	139,189	139,189
Total nonspendable	-	-	-	-	1,543,216	139,189	1,682,405
Restricted:							
Debt service	-	-	1,171,496	-	-	314,019	1,485,515
Culture and recreation	-	-	103,879	-	-	133,851	237,730
Highways and streets	-	356,166	53,657	-	-	-	409,823
Utility system development	-	-	338,230	-	-	-	338,230
Public safety	-	-	-	-	-	30,064	30,064
Total restricted	-	356,166	1,667,262	-	-	477,934	2,501,362

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2013**

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

**P. Fund Balance (continued)**

	General	State tax Street Fund	Reserve Fund	Revolving Loan Fund	EOTEC Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Fund balances</b>							
Committed:							
Culture and recreation	-	-	-	-	-	459,931	459,931
Highways and streets	-	150,000	52,351	-	-	-	202,351
Community development	-	-	350,000	77,874	-	139,529	567,403
Utility systems	-	-	2,169,183	-	-	-	2,169,183
Public safety	-	-	-	-	-	64,621	64,621
Insurance	-	-	-	-	-	300,769	300,769
Other reserves	-	-	12,352	-	-	42,021	54,373
Total committed	-	150,000	2,583,886	77,874	-	1,006,871	3,818,631
Assigned:							
Unappropriated							
ending fund balance	1,859,278	-	-	-	-	-	1,859,278
Total assigned	1,859,278	-	-	-	-	-	1,859,278
Unassigned	3,011,936	-	-	-	-	-	3,011,936
Ending fund balances	\$ 4,871,214	\$ 506,166	\$ 4,251,148	\$ 77,874	\$ 1,543,216	\$ 1,623,994	\$ 12,873,612

\$409,823 is restricted for highways and streets and \$158,766 is restricted for culture and recreation by enabling legislation.

**Q. 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, 2013 were as follows:

	General	State Tax Street Fund	Reserve Fund	Revolving Loan Fund	Revolving Loan Fund	Other Governmental Funds	Total Governmental Funds
Equipment Repairs	\$ 400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 400

**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, 2013**

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

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

- 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 one supplemental budget during the year increasing appropriations by \$1,795,000.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2013**

**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, 2013:

**Recorder's Reserve Fund:**

Materials and services	<u>\$ 10,299</u>
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**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2013**

**NOTE 3 – CASH AND INVESTMENTS:**

**Cash:**

Cash on hand	\$ 1,410
Demand deposits, Banner Bank	1,197,506
Demand deposits, U.S. National Bank	<u>8,569,563</u>
Cash subtotal	<u>9,768,479</u>

**Investments:**

		<u>Credit Quality Rating</u>	<u>Percentage of Total Investments</u>	<u>Weighted Average Maturity Years</u>
U.S. Government agency bonds:				
Federal Home Loan Bank	755,537		5.4%	0.01
Federal Home Loan Mortgage Corporation	<u>2,577,932</u>		18.5%	0.34
U.S. Government agency bonds subtotal	<u>3,333,469</u>			
U.S. Government agency discount notes:				
Federal Farm Credit Bank	<u>999,875</u>		7.2%	0.24
Corporate notes:				
General Electric Capital Corporation	576,872	A1	4.1%	0.21
JP Morgan Chase & Company	<u>1,036,767</u>	A2	7.4%	0.96
Corporate notes subtotal	<u>1,613,639</u>			
Oregon Local Government Investment Pool	<u>8,000,512</u>		<u>57.4%</u>	0.00
Total cash and investments, June 30, 2013	<u>\$ 23,715,974</u>		<u>100.0%</u>	

Portfolio weighted average maturity 0.17

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, 2013, the total bank balance was \$11,580,906. 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, 2013**

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

**Interest Rate Risk – Investments**

As of June 30, 2013, the City's weighted average maturity of its investment portfolio was 0.17 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**

Credit quality ratings issued by Moody's Investment Service are listed by corporate issuer on the previous page. U.S. Government agency securities are not rated. Securities of U.S. Government sponsored enterprises are not explicitly backed by the full faith and credit of the U.S. Government, but they have implied government backing and an implied AAA rating. The Local Government Investment Pool's credit risk is not rated.

**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, 2013 the City's \$5,946,983 in notes and bonds 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. The Local Government Investment Pool is not subject to custodial credit risk because it is not evidenced by securities that exist in physical or book entry form.

**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, 2013 was as follows:

	<u>Balance June 30, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2013</u>
<b><u>Governmental Activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 2,253,068	\$ 111,561	\$ -	\$ 2,364,629
Construction in progress	79,862	-	(79,862)	-
Total capital assets not being depreciated	<u>2,332,930</u>	<u>111,561</u>	<u>(79,862)</u>	<u>2,364,629</u>



**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2013**

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

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013
<b><u>Business-type Activities (continued):</u></b>				
Less: Accumulated depreciation:				
Utility system and buildings	(19,028,848)	(579,614)	-	(19,608,462)
Electric system	(4,556,011)	(481,313)	44,779	(4,992,545)
Equipment and vehicles	(793,581)	(40,575)	-	(834,156)
Total accumulated depreciation	<u>(24,378,440)</u>	<u>(1,101,502)</u>	<u>44,779</u>	<u>(25,435,163)</u>
Total capital assets being depreciated, net	<u>28,073,996</u>	<u>(707,854)</u>	<u>(83,691)</u>	<u>27,282,451</u>
Business-type activities capital assets, net	<u>\$ 34,437,759</u>	<u>\$ 3,175,335</u>	<u>\$ (83,691)</u>	<u>\$ 37,529,403</u>

Depreciation was charged to functions and programs as follows:

Governmental Activities:	
General government	\$ 73,830
Public safety	76,248
Highways and streets	392,900
Cultural and recreation	289,645
Total depreciation expense of governmental activities	<u>\$ 832,623</u>
Business-type activities:	
Water	\$ 294,333
Sewer	149,823
Electricity	481,313
Regional Water	176,033
Total depreciation expense of business-type activities	<u>\$ 1,101,502</u>

## **CITY OF HERMISTON, OREGON**

### **Notes to Basic Financial Statements**

**June 30, 2013**

#### **NOTE 5 – RISK MANAGEMENT:**

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

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

#### **NOTE 6 – LONG-TERM DEBT:**

##### **Bonds Payable:**

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

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

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

The City issued electric system revenue refunding bonds in October 2005 for \$13,210,000 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, 2013**

**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	3.65%	\$ 65,000
2013 Pool Bonds	0.45% - 4.00%	3,195,000
Business-type activities:		
2005 Electric System Revenue Bonds	3.35%-4.60%	12,305,000
2007 Refunding Utility Bonds	4.10%	1,141,262
2011 Refunding Water Bonds	2.0% - 4.0%	2,975,000
Gross amount of bonds		19,681,262
Unamortized refunding costs		(216,325)
Unamortized premiums		266,658
Unamortized original issue discount		(97,541)
Total bonds		<u>\$ 19,634,054</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>
2014	\$ 135,000	\$ 98,894	\$ 741,791	\$ 684,581
2015	100,000	91,399	782,744	658,717
2016	100,000	90,749	833,314	630,302
2017	100,000	89,924	873,413	598,848
2018	110,000	88,896	615,000	565,158
2019-2023	645,000	389,845	3,720,000	2,412,430
2024-2028	915,000	252,544	3,910,000	1,543,878
2029-2033	1,155,000	93,064	4,945,000	586,239
Totals	<u>\$ 3,260,000</u>	<u>\$ 1,195,315</u>	<u>\$ 16,421,262</u>	<u>\$ 7,680,153</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, 2013**

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

The City borrowed \$4,047,328 from the Clean Water State Revolving Loan Fund Loan Program from the Oregon Department of Environmental Quality. An interest only payment will be due six months after the project completion date. The loan will be repaid in equal semi-annual payments due June 1 and December 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 \$155,325 of \$17,052,672 available from a second loan 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 2.65% 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.

Notes currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-type activities:		
Business Oregon	4.99%	\$ 57,216
Oregon Dept. of Environmental Quality	2.83%	4,047,328
Oregon Dept. of Environmental Quality	2.65%	155,325
Total Business-type activities		<u>\$ 4,259,869</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>
2014	\$ 7,029	\$ 2,855
2015	7,380	296,857
2016	321,139	138,643
2017	170,705	130,119
2018	175,744	124,267
2019-2023	928,653	528,726
2024-2028	1,047,593	365,926
2029-2033	1,205,632	180,160
2034-2038	395,994	13,908
Totals	<u>\$ 4,259,869</u>	<u>\$ 1,781,461</u>

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2013**

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

**Changes in long-term debt:**

Long-term liability activity for the year ended June 30, 2013 was as follows:

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013	Due Within One Year
<b>Government Activities:</b>					
2003 Pool Bonds	\$ 3,265,000	\$ -	\$ (3,200,000)	\$ 65,000	\$ 65,000
2013 Pool Bonds	-	3,195,000	-	3,195,000	70,000
Total bonds	<u>3,265,000</u>	<u>3,195,000</u>	<u>(3,200,000)</u>	<u>3,260,000</u>	<u>135,000</u>
Compensated absences	<u>268,448</u>	<u>375,248</u>	<u>(339,277)</u>	<u>304,419</u>	<u>243,535</u>
Total Governmental Activities	<u>\$ 3,533,448</u>	<u>\$ 3,570,248</u>	<u>\$ (3,539,277)</u>	<u>\$ 3,564,419</u>	<u>\$ 378,535</u>
<b>Business-Type Activities:</b>					
2005 Electric Revenue Bonds	\$ 12,530,000	\$ -	\$ (225,000)	\$ 12,305,000	\$ 250,000
2007 Refunding Utility Bonds	1,396,731	-	(255,469)	1,141,262	266,791
2011 Refunding Water Bonds	<u>3,230,000</u>	<u>-</u>	<u>(255,000)</u>	<u>2,975,000</u>	<u>225,000</u>
Total bonds	<u>17,156,731</u>	<u>-</u>	<u>(735,469)</u>	<u>16,421,262</u>	<u>741,791</u>
<b>Notes Payable:</b>					
Business Oregon	63,911	-	(6,695)	57,216	7,029
Oregon Dept. of Environmental Quality	<u>881,726</u>	<u>3,320,927</u>	<u>-</u>	<u>4,202,653</u>	<u>-</u>
Total notes	<u>945,637</u>	<u>3,320,927</u>	<u>(6,695)</u>	<u>4,259,869</u>	<u>7,029</u>
Compensated absences	<u>74,148</u>	<u>83,335</u>	<u>(90,137)</u>	<u>67,346</u>	<u>53,877</u>
Total Business-type Activities	<u>\$ 18,176,516</u>	<u>\$ 3,404,262</u>	<u>\$ (832,301)</u>	<u>\$ 20,748,477</u>	<u>\$ 802,697</u>

Compensated absences of governmental activities are generally liquidated by the general fund.

**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, 2013**

**NOTE 8 - INTERFUND TRANSACTIONS:**

**Interfund transfers:**

Transfer Out:	Transfer In:								Total Transfers Out
	General	Street Fund	Reserve	EOTEC Construction	Energy	Regional Water	WWTP Construction	Nonmajor Governmental	
General	\$ -	\$ 150,000	\$ 350,000	\$ 1,000	\$ -	\$ -	\$ -	\$ 970,026	\$ 1,471,026
Street Fund	-	-	502,830	-	-	-	-	15,000	517,830
Reserve	-	-	-	-	216,706	19,950	576,000	-	812,656
Utility	-	-	1,672,500	-	-	-	-	-	1,672,500
Energy	356,069	-	5,000	-	-	-	-	-	361,069
Non-major governmental	-	-	-	-	-	356,475	-	-	356,475
<b>Total Transfers in</b>	<b>\$ 356,069</b>	<b>\$ 150,000</b>	<b>\$ 2,530,330</b>	<b>\$ 1,000</b>	<b>\$ 216,706</b>	<b>\$ 376,425</b>	<b>\$ 576,000</b>	<b>\$ 985,026</b>	<b>\$ 5,191,556</b>

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

**Net transfers from business-type activities:**

Transfers in:

Energy	\$ 216,706
Regional water fund	376,425
WWTP Construction	576,000

Transfers out:

Utility	(1,672,500)
Energy fund	(361,069)
	<u>\$ (864,438)</u>

**Net transfers to governmental activities:**

Transfers in:

General fund	\$ 356,069
Street fund	150,000
Reserve fund	2,530,330
EOTEC	1,000
Non-major governmental funds	985,026

Transfer out:

General fund	(1,471,026)
Street fund	(517,830)
Reserve fund	(812,656)
Non-major governmental funds	(356,475)
	<u>\$ 864,438</u>

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2013**

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

The City makes routine transfers between funds as follows:

Amounts designated for specific purposes authorized by resolutions of the City Council are transferred to one of the City's reserve fund.

Amounts designated for debt service are transferred to the Debt Service Fund.

The Energy Fund pays five percent of gross energy revenues in lieu of taxes to the General Fund.

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, 2013**

**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	\$ 924,983
Oregon State liquor and cigarette taxes	251,380
Oregon State revenue sharing	<u>158,392</u>
Total	<u><u>\$ 1,334,755</u></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>State Tax Street Fund</u>	<u>Reserve Fund</u>	<u>Revolving Loan Fund</u>
<b><u>GAAP BASIS NET CHANGE IN FUND</u></b>				
<b><u>BALANCES ADD (DEDUCT):</u></b>	\$ (705,746)	\$ 119,810	\$ 1,382,224	\$ 3,791
Change in receivables	(5,729)	-	13,226	7,966
Changes in unearned investment (gains) losses	3,436	-	(2,206)	-
Change in encumbrances	(400)	-	-	-
Change in deferred revenue	<u>(33,680)</u>	<u>-</u>	<u>-</u>	<u>(11,757)</u>
<b><u>BUDGETARY BASIS NET CHANGE IN FUND BALANCES</u></b>	<u><u>\$ (742,119)</u></u>	<u><u>\$ 119,810</u></u>	<u><u>\$ 1,393,244</u></u>	<u><u>\$ -</u></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>State Tax Street Fund</u>	<u>Reserve Fund</u>	<u>Revolving Loan Fund</u>
<b><u>GAAP BASIS FUND BALANCES</u></b>				
<b><u>ADD (DEDUCT):</u></b>	\$ 4,871,214	\$ 506,166	\$ 4,251,148	\$ 77,874
Receivables	(511,309)	-	(69)	(1,188,712)
Unearned investment (gains) losses	224	-	521	-
Encumbrances	(400)	-	-	-
Deferred revenue	<u>321,572</u>	<u>-</u>	<u>-</u>	<u>1,135,391</u>
<b><u>BUDGET BASIS FUND BALANCES</u></b>	<u><u>\$ 4,681,301</u></u>	<u><u>\$ 506,166</u></u>	<u><u>\$ 4,251,600</u></u>	<u><u>\$ 24,553</u></u>

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2013**

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

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

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

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

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2013**

**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 2013, the City's annual pension cost of \$1,053,426 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2011 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
2011	\$ 853,856	100%	\$ -
2012	977,574	100%	-
2013	1,053,426	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, 2013**

**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, 2013, 2012 and 2011 were \$31,203, \$27,902 and \$15,352, 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 contributed land and infrastructure totaling \$1,293,321 as of June 30, 2013. Additionally, the City holds \$6.2 million in restricted grant funds for construction of the facility and \$1.6 million committed for infrastructure improvements to serve the facility.

The intergovernmental agreement establishing the authority calls for the City and Umatilla County to each own half of the facility, regardless of the amounts contributed by each. Because the facility is not yet operational, changes in fund balance and net position relating to unequal contributions are reported as other financing sources in statement of revenues, expenditures, and changes in fund balances and general revenues in the statement of activities.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2013**

**NOTE 16 – JOINT VENTURE (Continued):**

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.

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

**NOTE 17 – PRIOR PERIOD ADJUSTMENT:**

Undeveloped land acquired by the City in the 1970's was not included on the City's Statement of Net Position. The City contributed 75 acres of this land to the Eastern Oregon Trade and Event Center Authority, a joint venture of the City and Umatilla County described in Note 16. The beginning balance of the Governmental Activities in the Statement of Position is being adjusted.

Governmental Activities Net Position as previously reported at June 30, 2012	\$ 20,357,418
Prior period adjustment	<u>1,021,280</u>
Governmental Activities Net Position as adjusted at June 30, 2012	<u><u>\$ 21,378,698</u></u>

**NOTE 18 – SUBSEQUENT EVENTS:**

The City is upgrading its wastewater recycling plant. The estimated total cost of this multi-year project is \$27,100,000. 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. Remaining costs are expected to be met by an additional low-interest DEQ loan and bonds to be issued in 2014. Completion of the project is expected in 2015.

The City Council has approved a plan to increase utility rates by 16% to support the additional costs of constructing and operating the wastewater recycling plant.

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.

The City plans to consolidate its emergency services dispatch center with that of Umatilla County in January 2014. The annual cost is expected to be \$280,000. The City transferred \$630,000 from the General Fund to the 911 Communications Fund to support City emergency services dispatch operations.

The City received a \$300,000 grant to fence the perimeter of the Hermiston Municipal Airport.

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, 2013**

**SPECIAL REVENUE FUNDS**

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

**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, 2013**

	Special Revenue							Debt Service	Total Non-major Governmental Funds	
	Transient Room Tax Fund	Recreation Reserve Fund	Municipal Court Fund	Recorder's Reserve Fund	Conference Center Fund	911 Communications Fund	Law Enforcement Reserve Fund	Library Reserve Fund	Bonded Debt Fund	Total Non-major Governmental Funds
<b><u>ASSETS:</u></b>										
Cash and investments	\$ 54,887	\$ 405,473	\$ 28,468	\$ 537,815	\$ 63,445	\$ 37,919	\$ 74,045	\$ 58,769	\$ 309,609	\$ 1,570,430
Receivables (net of allowances for uncollectible):										
Property taxes	-	-	-	-	-	-	-	-	27,561	27,561
Intergovernmental and other	-	5,789	-	-	-	-	-	-	-	5,789
Prepaid items	29,000	-	-	110,189	-	-	-	-	-	139,189
Total assets	<u>\$ 83,887</u>	<u>\$ 411,262</u>	<u>\$ 28,468</u>	<u>\$ 648,004</u>	<u>\$ 63,445</u>	<u>\$ 37,919</u>	<u>\$ 74,045</u>	<u>\$ 58,769</u>	<u>\$ 337,170</u>	<u>\$ 1,742,969</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>										
<b><u>LIABILITIES:</u></b>										
Accounts payable	\$ -	\$ -	\$ 10,897	\$ 45,527	\$ 4,550	\$ -	\$ -	\$ -	\$ -	\$ 60,974
Deferred revenues	-	-	-	-	-	-	34,850	-	23,151	58,001
Total liabilities	<u>-</u>	<u>-</u>	<u>10,897</u>	<u>45,527</u>	<u>4,550</u>	<u>-</u>	<u>34,850</u>	<u>-</u>	<u>23,151</u>	<u>118,975</u>
<b><u>FUND BALANCES:</u></b>										
Nonspendable	29,000	-	-	110,189	-	-	-	-	-	139,189
Restricted	54,887	61,365	-	-	-	-	30,064	17,599	314,019	477,934
Committed	-	349,897	17,571	492,288	58,895	37,919	9,131	41,170	-	1,006,871
Total fund balances	<u>83,887</u>	<u>411,262</u>	<u>17,571</u>	<u>602,477</u>	<u>58,895</u>	<u>37,919</u>	<u>39,195</u>	<u>58,769</u>	<u>314,019</u>	<u>1,623,994</u>
Total liabilities and fund balances	<u>\$ 83,887</u>	<u>\$ 411,262</u>	<u>\$ 28,468</u>	<u>\$ 648,004</u>	<u>\$ 63,445</u>	<u>\$ 37,919</u>	<u>\$ 74,045</u>	<u>\$ 58,769</u>	<u>\$ 337,170</u>	<u>\$ 1,742,969</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, 2013**

	Special Revenue							Debt Service	Total Non-major Governmental Funds
	Transient Room Tax Fund	Recreation Reserve Fund	Municipal Court Fund	Recorder's Reserve Fund	Conference Center Fund	911 Communications Fund	Law Enforcement Reserve Fund	Library Reserve Fund	Bonded Debt Fund
<b>REVENUES:</b>									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 281,350
Transient room tax	61,180	-	-	-	-	-	-	-	-
911 Tax	-	-	-	-	-	122,058	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	215,874	-	-	-	11,815	-	-
Charges for services	-	94,134	-	202,952	150,509	-	-	-	-
Grants and contributions	-	31,536	-	-	-	-	32,981	-	-
Miscellaneous	-	12,434	-	-	-	-	19,390	39,126	30,305
<b>Total revenues</b>	<b>61,180</b>	<b>138,104</b>	<b>215,874</b>	<b>202,952</b>	<b>150,509</b>	<b>122,058</b>	<b>64,186</b>	<b>39,126</b>	<b>311,655</b>
<b>EXPENDITURES:</b>									
Current:									
General government	-	-	198,303	86,299	-	-	-	-	-
Public safety	-	-	-	-	-	716,774	64,902	-	-
Highways and streets	-	-	-	-	-	-	-	-	-
Cultural and recreation	75,724	83,068	-	-	146,160	-	-	33,403	-
Capital Outlay:									
General government	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-
Cultural and recreation	-	-	-	37,910	52,910	-	-	-	-
Debt service:									
Principal	-	-	-	-	-	-	-	-	60,000
Interest	-	-	-	-	-	-	-	-	72,907
<b>Total expenditures</b>	<b>75,724</b>	<b>83,068</b>	<b>198,303</b>	<b>124,209</b>	<b>199,070</b>	<b>716,774</b>	<b>64,902</b>	<b>33,403</b>	<b>132,907</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(14,544)</b>	<b>55,036</b>	<b>17,571</b>	<b>78,743</b>	<b>(48,561)</b>	<b>(594,716)</b>	<b>(716)</b>	<b>5,723</b>	<b>178,748</b>
<b>OTHER FINANCING SOURCES (USES):</b>									
Issuance of debt	-	-	-	-	-	-	-	-	3,278,969
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	(3,278,969)
Transfers in	-	150,000	-	-	-	632,635	-	-	202,391
Transfers out	-	-	-	-	-	-	-	-	(356,475)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>150,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>632,635</b>	<b>-</b>	<b>-</b>	<b>(154,084)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(14,544)</b>	<b>205,036</b>	<b>17,571</b>	<b>78,743</b>	<b>(48,561)</b>	<b>37,919</b>	<b>(716)</b>	<b>5,723</b>	<b>24,664</b>
<b>FUND BALANCES, BEGINNING</b>	<b>98,431</b>	<b>206,226</b>	<b>-</b>	<b>523,734</b>	<b>107,456</b>	<b>-</b>	<b>39,911</b>	<b>53,046</b>	<b>289,355</b>
<b>FUND BALANCES, ENDING</b>	<b>\$ 83,887</b>	<b>\$ 411,262</b>	<b>\$ 17,571</b>	<b>\$ 602,477</b>	<b>\$ 58,895</b>	<b>\$ 37,919</b>	<b>\$ 39,195</b>	<b>\$ 58,769</b>	<b>\$ 314,019</b>

**CITY OF HERMISTON, OREGON**

**Reserve Fund**

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

**For the Year Ended June 30, 2013**

City Ordinances have established specific allocations of the Reserve Fund. The following schedule presents the allocations of the 2012-13 transactions to their specified purposes.

	Balance June 30, 2012	Revenues	Expenditures	Transfers In (Out)	Balance June 30, 2013
<b><u>ALLOCATIONS:</u></b>					
Office equipment, finance	\$ (5,079)	\$ -	\$ 9,860	\$ 15,000	\$ 61
Airport improvements	9,685	-	-	-	9,685
Park improvements	153	250	1,860	-	(1,457)
Recreation programs	53,124	36,708	22,267	-	67,565
Parks development	32,138	36,823	39,920	5,200	34,241
Centennial bell	2,351	-	-	(2,351)	-
Pioneer Hi-bred	-	-	-	350,000	350,000
Street equipment	-	-	29,518	40,000	10,482
Bicycle trails	67,101	-	-	10,351	77,452
Street maintenance	(10,111)	4,218	298,807	204,830	(99,870)
Street construction	-	1,905	133,961	250,000	117,944
Utility construction	3,246	4,849	-	1,650,000	1,658,095
Sewer department equipment	17,017	-	-	5,000	22,017
Water department equipment	15,406	-	-	7,500	22,906
Wastewater treatment plant	496,376	-	496,000	-	376
EOTEC Construction	(79,862)	79,862	-	-	-
HES improvements	1,388,202	-	216,706	-	1,171,496
Regional water system	485,739	-	19,950	-	465,789
Wastewater-SDC	96,457	10,757	80,000	-	27,214
Water-SDC	298,048	12,968	-	-	311,016
Parks-SDC	-	18,974	11,701	(5,200)	2,073
Accrued investment interest	(11,635)	16,150	-	-	4,515
Total reserve fund	<u>\$ 2,858,356</u>	<u>\$ 223,464</u>	<u>\$ 1,360,550</u>	<u>\$ 2,530,330</u>	<u>\$ 4,251,600</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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b><u>REVENUES:</u></b>				
Taxes	<u>\$ 49,875</u>	<u>\$ 49,875</u>	<u>\$ 61,180</u>	<u>\$ 11,305</u>
<b><u>EXPENDITURES:</u></b>				
Current:				
Culture and recreation:				
Personal services	32,635	32,635	21,908	10,727
Material and services	<u>55,000</u>	<u>55,000</u>	<u>53,816</u>	<u>1,184</u>
	<u>87,635</u>	<u>87,635</u>	<u>75,724</u>	<u>11,911</u>
<b><u>DEFICIENCY OF REVENUES</u></b>				
<b><u>UNDER EXPENDITURES</u></b>	(37,760)	(37,760)	(14,544)	23,216
<b><u>FUND BALANCES, BEGINNING</u></b>	<u>37,760</u>	<u>37,760</u>	<u>98,431</u>	<u>60,671</u>
<b><u>FUND BALANCES, ENDING</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,887</u>	<u>\$ 83,887</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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b><u>REVENUES:</u></b>				
Charges for service	\$ -	\$ -	\$ 94,134	\$ 94,134
Grants and contributions	-	-	25,747	25,747
Miscellaneous income	-	-	12,434	12,434
	<u>-</u>	<u>-</u>	<u>132,315</u>	<u>132,315</u>
<b><u>EXPENDITURES:</u></b>				
Current:				
Culture and recreation:				
Materials and services	250,000	250,000	83,068	166,932
Capital outlay	-	150,000	-	150,000
Total expenditures	<u>250,000</u>	<u>400,000</u>	<u>83,068</u>	<u>316,932</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES</u></b>				
<b><u>OVER (UNDER) EXPENDITURES</u></b>				
	(250,000)	(400,000)	49,247	449,247
<b><u>OTHER FINANCING SOURCES</u></b>				
<b><u>(USES):</u></b>				
Transfers in	-	150,000	150,000	-
<b><u>NET CHANGE IN FUND BALANCES</u></b>				
	(250,000)	(250,000)	199,247	449,247
<b><u>FUND BALANCES, BEGINNING</u></b>				
	<u>250,000</u>	<u>250,000</u>	<u>206,226</u>	<u>(43,774)</u>
<b><u>FUND BALANCES, ENDING</u></b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 405,473</u>	<u>\$ 405,473</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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b><u>REVENUES:</u></b>				
Fines and forfeits	\$ -	\$ -	\$ 215,874	\$ 215,874
	-	-	215,874	215,874
<b><u>EXPENDITURES:</u></b>				
Current:				
General Government:				
Materials and services	500,000	500,000	198,303	301,697
Total expenditures	500,000	500,000	198,303	301,697
<b><u>EXCESS (DEFICIENCY) OF REVENUES</u></b>				
<b><u>OVER (UNDER) EXPENDITURES</u></b>	(500,000)	(500,000)	17,571	517,571
<b><u>FUND BALANCES, BEGINNING</u></b>	500,000	500,000	-	(500,000)
<b><u>FUND BALANCES, ENDING</u></b>	\$ -	\$ -	\$ 17,571	\$ 17,571

**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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b><u>REVENUES:</u></b>				
Charges for service	\$ -	\$ 110,000	\$ 202,952	\$ 92,952
<b><u>EXPENDITURES:</u></b>				
Current:				
General Government:				
Materials and services	6,000	76,000	86,299	(10,299)
Capital outlay	-	40,000	37,910	2,090
Total expenditures	<u>6,000</u>	<u>116,000</u>	<u>124,209</u>	<u>(8,209)</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES</u></b>				
<b><u>OVER (UNDER) EXPENDITURES</u></b>	(6,000)	(6,000)	78,743	84,743
<b><u>FUND BALANCES, BEGINNING</u></b>	<u>6,000</u>	<u>6,000</u>	<u>523,734</u>	<u>517,734</u>
<b><u>FUND BALANCES, ENDING</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 602,477</u>	<u>\$ 602,477</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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b><u>REVENUES:</u></b>				
Charges for service	\$ -	\$ 130,000	\$ 135,509	\$ 5,509
Operating grants and contributions	-	-	15,000	15,000
	<u>-</u>	<u>130,000</u>	<u>150,509</u>	<u>20,509</u>
<b><u>EXPENDITURES:</u></b>				
Current:				
Culture and recreation:				
Materials and services	100,000	170,000	146,160	23,840
Capital outlay	-	60,000	52,910	7,090
Total expenditures	<u>100,000</u>	<u>230,000</u>	<u>199,070</u>	<u>30,930</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES</u></b>				
<b><u>OVER (UNDER) EXPENDITURES</u></b>				
	(100,000)	(100,000)	(48,561)	51,439
<b><u>FUND BALANCES, BEGINNING</u></b>				
	<u>100,000</u>	<u>100,000</u>	<u>107,456</u>	<u>7,456</u>
<b><u>FUND BALANCES, ENDING</u></b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,895</u>	<u>\$ 58,895</u>

**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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b><u>REVENUES:</u></b>				
911 communications tax	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 122,058</u>	<u>\$ 22,058</u>
<b><u>EXPENDITURES:</u></b>				
Current:				
Public safety:				
Personal services	682,385	682,385	668,220	14,165
Materials and services	49,550	49,550	47,869	1,681
Capital outlay	700	700	685	15
Total expenditures	<u>732,635</u>	<u>732,635</u>	<u>716,774</u>	<u>15,861</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES</u></b>				
<b><u>OVER (UNDER) EXPENDITURES</u></b>	(632,635)	(632,635)	(594,716)	37,919
<b><u>OTHER FINANCING SOURCES</u></b>				
<b><u>(USES):</u></b>				
Transfers in	632,635	632,635	632,635	-
Transfers out	-	-	-	-
	<u>632,635</u>	<u>632,635</u>	<u>632,635</u>	<u>-</u>
<b><u>NET CHANGE IN FUND BALANCES</u></b>	-	-	37,919	37,919
<b><u>FUND BALANCES, BEGINNING</u></b>	-	-	-	-
<b><u>FUND BALANCES, ENDING</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,919</u>	<u>\$ 37,919</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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b><u>REVENUES:</u></b>				
Fines and forfeits	\$ -	\$ -	\$ 11,815	\$ 11,815
Grants and contributions	-	-	32,981	32,981
Miscellaneous income	-	-	19,390	19,390
	<u>-</u>	<u>-</u>	<u>64,186</u>	<u>64,186</u>
<b><u>EXPENDITURES:</u></b>				
Current:				
Public safety:				
Materials and services	70,000	70,000	64,902	5,098
Capital outlay	30,000	30,000	-	30,000
Total expenditures	<u>100,000</u>	<u>100,000</u>	<u>64,902</u>	<u>35,098</u>
<b><u>NET CHANGE IN FUND BALANCES</u></b>	(100,000)	(100,000)	(716)	99,284
<b><u>FUND BALANCES, BEGINNING</u></b>	<u>100,000</u>	<u>100,000</u>	<u>74,761</u>	<u>(25,239)</u>
<b><u>FUND BALANCES, ENDING</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,045</u>	<u>\$ 74,045</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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b><u>REVENUES:</u></b>				
Grants and contributions	\$ -	\$ -	\$ -	\$ -
Miscellaneous income	-	-	39,126	39,126
	<u>-</u>	<u>-</u>	<u>39,126</u>	<u>39,126</u>
<b><u>EXPENDITURES:</u></b>				
Current:				
Culture and recreation:				
Materials and services	50,000	50,000	33,403	16,597
Capital outlay	50,000	50,000	-	50,000
Total expenditures	<u>100,000</u>	<u>100,000</u>	<u>33,403</u>	<u>66,597</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES</u></b>				
<b><u>OVER (UNDER) EXPENDITURES</u></b>	(100,000)	(100,000)	5,723	105,723
<b><u>FUND BALANCES, BEGINNING</u></b>	<u>100,000</u>	<u>100,000</u>	<u>53,046</u>	<u>(46,954)</u>
<b><u>FUND BALANCES, ENDING</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,769</u>	<u>\$ 58,769</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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b><u>REVENUES:</u></b>				
Property taxes	\$ 265,865	\$ 265,865	\$ 281,672	\$ 15,807
Miscellaneous income	-	-	30,305	30,305
Total revenues	<u>265,865</u>	<u>265,865</u>	<u>311,977</u>	<u>46,112</u>
<b><u>EXPENDITURES:</u></b>				
Debt service:				
2003 pool bonds				
Principal	60,000	60,000	60,000	-
Interest	142,395	142,395	72,907	69,488
Total expenditures	<u>202,395</u>	<u>202,395</u>	<u>132,907</u>	<u>69,488</u>
<b><u>EXCESS OF REVENUES OVER</u></b>				
<b><u>EXPENDITURES</u></b>	<u>63,470</u>	<u>63,470</u>	<u>179,070</u>	<u>115,600</u>
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Transfers in:				
Utility fund (for debt service)	366,360	366,360	322,506	(43,854)
Energy fund (for debt service)	775,265	775,265	775,264	(1)
General fund (for debt service)	202,395	202,395	202,391	(4)
Debt service (for utility funds):				
Business Oregon	(9,885)	(9,885)	(9,884)	1
Principal:				
2005 Hermiston Energy Service bonds	(225,000)	(225,000)	(225,000)	-
2007 utility refunding bonds	(255,000)	(255,000)	(255,469)	(469)
2011 regional water bonds	(190,000)	(190,000)	(255,000)	(65,000)
Interest:				
2005 Hermiston Energy Service bonds	(550,265)	(550,265)	(550,264)	1
2007 utility refunding bonds	(101,475)	(101,475)	(57,153)	44,322
2011 regional water bonds	(173,865)	(173,865)	(101,475)	72,390
Total other financing sources (uses)	<u>(161,470)</u>	<u>(161,470)</u>	<u>(154,084)</u>	<u>7,386</u>
<b><u>NET CHANGE IN FUND BALANCES</u></b>	<u>(98,000)</u>	<u>(98,000)</u>	<u>24,986</u>	<u>122,986</u>
<b><u>FUND BALANCES, BEGINNING</u></b>	<u>100,000</u>	<u>100,000</u>	<u>284,623</u>	<u>184,623</u>
<b><u>FUND BALANCES, ENDING</u></b>	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 309,609</u>	<u>\$ 307,609</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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES:</u></b>				
Charges for services				
Water	\$ 2,048,000	\$ 2,048,000	\$ 2,340,070	\$ 292,070
Sewer	1,657,000	1,657,000	1,864,651	207,651
Bond assessments	20,000	20,000	20,747	747
Investment interest	12,000	12,000	4,693	(7,307)
Total revenues	<u>3,737,000</u>	<u>3,737,000</u>	<u>4,230,161</u>	<u>493,161</u>
<b><u>EXPENDITURES:</u></b>				
Personal services	1,963,965	1,963,965	1,902,627	61,338
Materials and services	1,020,300	1,020,300	894,513	125,787
Capital outlay	-	180,000	3,019	176,981
Total expenditures	<u>2,984,265</u>	<u>3,164,265</u>	<u>2,800,159</u>	<u>364,106</u>
<b><u>EXCESS OF REVENUES OVER EXPENDITURES</u></b>	<u>752,735</u>	<u>572,735</u>	<u>1,430,002</u>	<u>857,267</u>
<b><u>TRANSFERS OUT:</u></b>				
Bonded debt fund	(356,480)	(356,480)	(322,506)	33,974
Reserve fund	(1,672,500)	(1,672,500)	(1,672,500)	-
Total transfers out	<u>(2,028,980)</u>	<u>(2,028,980)</u>	<u>(1,995,006)</u>	<u>33,974</u>
<b><u>NET CHANGE IN FUND BALANCES</u></b>	<u>(1,276,245)</u>	<u>(1,456,245)</u>	<u>(565,004)</u>	<u>891,241</u>
<b><u>FUND BALANCES, BEGINNING</u></b>	<u>1,276,245</u>	<u>1,456,245</u>	<u>3,203,995</u>	<u>1,747,750</u>
<b><u>FUND BALANCES, ENDING</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,638,991</u>	<u>\$ 2,638,991</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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget- Positive (Negative)</u>
<b><u>REVENUES:</u></b>				
Charges for services	\$ 7,200,000	\$ 7,200,000	\$ 7,121,255	\$ (78,745)
Miscellaneous	10,000	10,000	197,093	187,093
Investment interest	8,000	8,000	15,818	7,818
Total revenues	<u>7,218,000</u>	<u>7,218,000</u>	<u>7,334,166</u>	<u>116,166</u>
<b><u>EXPENDITURES:</u></b>				
Personal services	251,290	251,290	248,383	2,907
Materials and services	6,677,100	6,677,100	6,097,977	579,123
Capital outlay	130,000	130,000	116,656	13,344
Total expenditures	<u>7,058,390</u>	<u>7,058,390</u>	<u>6,463,016</u>	<u>595,374</u>
<b><u>EXCESS OF REVENUES OVER EXPENDITURES</u></b>	159,610	159,610	871,150	711,540
<b><u>TRANSFERS OUT</u></b>	<u>(780,265)</u>	<u>(780,265)</u>	<u>(780,264)</u>	<u>1</u>
<b><u>NET CHANGE IN FUND BALANCE</u></b>	(620,655)	(620,655)	90,886	711,541
<b><u>FUND BALANCES, BEGINNING</u></b>	<u>620,655</u>	<u>620,655</u>	<u>4,314,428</u>	<u>3,693,773</u>
<b><u>FUND BALANCES, ENDING</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,405,314</u>	<u>\$ 4,405,314</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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES:</u></b>				
Charges for services	<u>\$ 410,000</u>	<u>\$ 410,000</u>	<u>\$ 587,846</u>	<u>\$ 177,846</u>
<b><u>EXPENDITURES:</u></b>				
Personal services	144,145	144,145	138,577	5,568
Materials and services	366,200	366,200	359,950	6,250
Total expenditures	<u>510,345</u>	<u>510,345</u>	<u>498,527</u>	<u>11,818</u>
<b><u>NET CHANGE IN FUND BALANCE</u></b>	(100,345)	(100,345)	89,319	189,664
<b><u>FUND BALANCES, BEGINNING</u></b>	<u>100,345</u>	<u>100,345</u>	<u>787,471</u>	<u>687,126</u>
<b><u>FUND BALANCES, ENDING</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 876,790</u>	<u>\$ 876,790</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, 2013**

	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final	Amounts	Final Budget- Positive (Negative)
<b><u>REVENUES</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b><u>EXPENDITURES:</u></b>				
Materials and services	2,500,000	2,500,000	-	2,500,000
Capital outlay	24,500,000	24,500,000	3,367,475	21,132,525
Total expenditures	<u>27,000,000</u>	<u>27,000,000</u>	<u>3,367,475</u>	<u>23,632,525</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES</u></b>				
<b><u>OVER (UNDER) EXPENDITURES</u></b>	(27,000,000)	(27,000,000)	(3,367,475)	23,632,525
<b><u>OTHER FINANCING SOURCES:</u></b>				
Loan proceeds	<u>27,000,000</u>	<u>27,000,000</u>	<u>3,320,927</u>	<u>(23,679,073)</u>
<b><u>NET CHANGE IN FUND</u></b>				
<b><u>BALANCES</u></b>	-	-	(46,548)	(46,548)
<b><u>FUND BALANCES, BEGINNING</u></b>	<u>-</u>	<u>-</u>	<u>(3,406,059)</u>	<u>(3,406,059)</u>
<b><u>FUND BALANCES, ENDING</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,452,607)</u>	<u>\$ (3,452,607)</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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES:</u></b>				
Grants and contributions	\$ 1,460,000	\$ 1,460,000	\$ -	\$ (1,460,000)
Investment interest	-	-	7,363	7,363
	<u>1,460,000</u>	<u>1,460,000</u>	<u>7,363</u>	<u>(1,452,637)</u>
<b><u>EXPENDITURES:</u></b>				
Current:				
Culture and recreation:				
Materials and services	<u>1,460,000</u>	<u>1,460,000</u>	<u>237,589</u>	<u>1,222,411</u>
Total expenditures	<u>1,460,000</u>	<u>1,460,000</u>	<u>237,589</u>	<u>1,222,411</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u></b>				
	-	-	(230,226)	(230,226)
<b><u>FUND BALANCES, BEGINNING</u></b>				
	<u>-</u>	<u>-</u>	<u>6,399,951</u>	<u>6,399,951</u>
<b><u>FUND BALANCES, ENDING</u></b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,169,725</u>	<u>\$ 6,169,725</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, 2013**

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	Recreation Reserve Fund	EOTEC Construction Fund	Bonded Debt Fund	Law Enforcement Reserve Fund	Energy Fund	Utility Fund	Regional Water Fund	WWTP Construction Fund
<b><u>GAAP BASIS FUND BALANCES</u></b>	\$ 4,871,214	\$ 4,251,148	\$ 77,874	\$ 411,262	\$ 1,543,216	\$ 314,019	\$ 39,195	\$ 3,968,904	\$ 13,922,635	\$ 3,682,431	\$ 874,629
<b><u>ADD (DEDUCT):</u></b>											
Accounts receivable	(511,309)	(69)	(1,188,712)	(5,789)	-	(27,561)	-	(662,328)	(602,737)	(41,852)	-
Receivable due to other entities	-	-	-	-	-	-	-	-	142,754	-	-
Accrued interest	-	-	-	-	-	-	-	136,497	44,978	41,219	-
Encumbrances payable	(400)	-	-	-	-	-	-	-	-	-	-
Deferred revenue	321,572	-	1,135,391	-	6,169,725	23,151	34,850	-	-	-	-
Capital assets	-	-	-	-	-	-	-	(11,003,948)	(12,130,596)	(5,864,970)	(8,529,889)
Long term debt	-	-	-	-	-	-	-	11,949,847	1,194,611	3,059,962	4,202,653
Unrealized investment (gains) or losses	224	521	-	-	-	-	-	16,342	-	-	-
Investment in joint venture	-	-	-	-	(1,543,216)	-	-	-	-	-	-
Compensated absences	-	-	-	-	-	-	-	-	67,346	-	-
<b><u>BUDGETARY BASIS FUND BALANCES</u></b>	<b><u>\$ 4,681,301</u></b>	<b><u>\$ 4,251,600</u></b>	<b><u>\$ 24,553</u></b>	<b><u>\$ 405,473</u></b>	<b><u>\$ 6,169,725</u></b>	<b><u>\$ 309,609</u></b>	<b><u>\$ 74,045</u></b>	<b><u>\$ 4,405,314</u></b>	<b><u>\$ 2,638,991</u></b>	<b><u>\$ 876,790</u></b>	<b><u>\$(3,452,607)</u></b>
<b><u>GAAP BASIS NET CHANGE IN FUND BALANCES</u></b>	<b><u>\$ (705,746)</u></b>	<b><u>\$ 1,382,224</u></b>	<b><u>\$ 3,791</u></b>	<b><u>\$ 205,036</u></b>	<b><u>\$ 1,543,216</u></b>	<b><u>\$ 24,664</u></b>	<b><u>\$ (716)</u></b>	<b><u>\$ 77,834</u></b>	<b><u>\$ (753,293)</u></b>	<b><u>\$ 200,490</u></b>	<b><u>\$ 576,000</u></b>
<b><u>ADD (DEDUCT):</u></b>											
Change in accounts receivable	(5,729)	13,226	7,966	(5,789)	-	6,239	-	(53,594)	(24,527)	(13,741)	-
Change in accrued interest	-	-	-	-	-	-	-	(2,137)	(2,814)	(2,125)	-
Change in encumbrances payable	(400)	-	-	-	-	-	-	-	39,248	-	-
Change in deferred revenue and accrued liabilities	(33,680)	-	(11,757)	-	(230,226)	(5,917)	-	-	-	-	-
Change in capital assets	-	-	-	-	-	-	-	231,642	444,156	176,033	(3,943,475)
Change in long term debt	-	-	-	-	-	-	-	(179,090)	(260,236)	(271,338)	3,320,927
Change in unrealized gains or losses	3,436	(2,206)	-	-	-	-	-	16,231	(736)	-	-
Change in investment in joint venture	-	-	-	-	(1,543,216)	-	-	-	-	-	-
Change in compensated absences	-	-	-	-	-	-	-	-	(6,802)	-	-
<b><u>BUDGETARY BASIS NET CHANGE IN FUND BALANCES</u></b>	<b><u>\$ (742,119)</u></b>	<b><u>\$ 1,393,244</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 199,247</u></b>	<b><u>\$ (230,226)</u></b>	<b><u>\$ 24,986</u></b>	<b><u>\$ (716)</u></b>	<b><u>\$ 90,886</u></b>	<b><u>\$ (565,004)</u></b>	<b><u>\$ 89,319</u></b>	<b><u>\$ (46,548)</u></b>

**CITY OF HERMISTON, OREGON**

**Schedule of Property Tax Transactions and Outstanding Balances**  
**For the Year Ended June 30, 2013**

<u>Fiscal Year</u>	<u>Property Taxes Receivable June 30, 2012</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, 2013</u>
2012-13	\$ -	\$ 5,035,471	\$ (128,197)	\$ (10,315)	\$ 1,592	\$ (4,719,222)	\$ 179,329
2011-12	219,115	-	3	(724)	5,956	(113,856)	110,494
2010-11	111,800	-	-	(421)	6,324	(49,399)	68,304
2009-10	74,196	-	-	(359)	8,842	(46,388)	36,291
2008-09	30,869	-	-	(341)	6,363	(28,939)	7,952
2007-08 and prior	10,904	-	-	(612)	1,095	(3,372)	8,015
Totals	<u>\$ 446,884</u>	<u>\$ 5,035,471</u>	<u>\$ (128,194)</u>	<u>\$ (12,772)</u>	<u>\$ 30,172</u>	<u>\$ (4,961,176)</u>	<u>\$ 410,385</u>

**CITY OF HERMISTON, OREGON**  
**Schedule of Future Debt Service Requirements**  
**Of Bonds Payable**  
**June 30, 2013**

Maturing during Year Ending June 30,	2003		2013		2005		2007		2011		Total	
	Pool Bonds		Pool Bonds		Energy System Revenue Bonds		Utility Refunding Bonds		Water Refunding Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$65,000	\$ 1,186	\$ 70,000	\$ 97,708	\$ 250,000	\$ 541,114	\$ 266,791	\$ 46,792	\$ 225,000	\$ 96,675	\$ 876,791	\$ 783,475
2015	-	-	100,000	91,399	275,000	530,739	277,744	35,853	230,000	92,125	882,744	750,116
2016	-	-	100,000	90,749	305,000	518,948	293,314	24,466	235,000	86,888	933,314	721,051
2017	-	-	100,000	89,924	330,000	506,058	303,413	12,440	240,000	80,350	973,413	688,772
2018	-	-	110,000	88,896	365,000	492,158	-	-	250,000	73,000	725,000	654,054
2019	-	-	110,000	86,669	395,000	476,464	-	-	255,000	65,425	760,000	628,558
2020	-	-	120,000	83,219	430,000	458,933	-	-	260,000	56,400	810,000	598,552
2021	-	-	130,000	78,819	470,000	439,808	-	-	270,000	45,800	870,000	564,427
2022	-	-	140,000	73,419	510,000	418,090	-	-	285,000	34,700	935,000	526,209
2023	-	-	145,000	67,719	550,000	393,710	-	-	295,000	23,100	990,000	484,529
2024	-	-	155,000	61,719	595,000	367,375	-	-	300,000	11,200	1,050,000	440,294
2025	-	-	170,000	56,069	645,000	338,855	-	-	130,000	2,600	945,000	397,524
2026	-	-	185,000	50,744	695,000	308,035	-	-	-	-	880,000	358,779
2027	-	-	195,000	45,044	745,000	275,288	-	-	-	-	940,000	320,332
2028	-	-	210,000	38,968	800,000	240,525	-	-	-	-	1,010,000	279,493
2029	-	-	220,000	32,519	860,000	203,175	-	-	-	-	1,080,000	235,694
2030	-	-	215,000	25,859	920,000	163,125	-	-	-	-	1,135,000	188,984
2031	-	-	225,000	18,984	985,000	120,263	-	-	-	-	1,210,000	139,247
2032	-	-	240,000	11,718	1,055,000	74,363	-	-	-	-	1,295,000	86,081
2033	-	-	255,000	3,984	1,125,000	25,313	-	-	-	-	1,380,000	29,297
	<u>\$65,000</u>	<u>\$ 1,186</u>	<u>\$3,195,000</u>	<u>\$1,194,129</u>	<u>\$12,305,000</u>	<u>\$ 6,892,339</u>	<u>\$ 1,141,262</u>	<u>\$ 119,551</u>	<u>\$2,975,000</u>	<u>\$ 668,263</u>	<u>\$ 19,681,262</u>	<u>\$ 8,875,468</u>

**CITY OF HERMISTON, OREGON**

**Schedule of Long-Term Debt Transactions**  
**For the Year Ended June 30, 2013**

	Interest Rate	PRINCIPAL TRANSACTIONS				INTEREST TRANSACTIONS			
		Outstanding June 30, 2012	New Debt Issued	Matured During Year	Outstanding June 30, 2013	Matured and Outstanding June 30, 2012	Matured During Year	Paid During Year	Matured and Outstanding June 30, 2013
<b><u>BONDS PAYABLE:</u></b>									
2003 Pool Bonds*	3.65%	\$ 3,265,000	\$ -	\$ 3,200,000	\$ 65,000	\$ -	\$ 72,907	\$ 72,907	\$ -
2005 Energy System Revenue Bonds	3.35%-4.60%	12,530,000	-	225,000	12,305,000	-	550,264	550,264	-
2007 Utility Refunding Bonds	4.10%	1,396,731	-	255,469	1,141,262	-	57,152	57,152	-
2011 Water Refunding Bonds	2.0% - 4.0%	3,230,000	-	255,000	2,975,000	-	101,475	101,475	-
2013 Pool Refunding Bonds	0.45% - 4.0%	-	3,195,000	-	3,195,000	-	-	-	-
		<u>\$20,421,731</u>	<u>\$ 3,195,000</u>	<u>\$ 3,935,469</u>	<u>\$19,681,262</u>	<u>\$ -</u>	<u>\$ 781,798</u>	<u>\$ 781,798</u>	<u>\$ -</u>

\* -- general obligation bonds

**CITY OF HERMISTON, OREGON**

**Annual Accounting of System Development Charges**

**For the Year Ended June 30, 2013**

	<u>Water System</u>	<u>Wastewater System</u>	<u>Parks System</u>
<b><u>BALANCE, JUNE 30, 2012</u></b>	\$ 298,048	\$ 96,457	\$ -
<b><u>REVENUES:</u></b>			
System development charges collected	12,968	10,757	18,974
<b><u>EXPENDITURES:</u></b>			
Reimbursement of capital improvements	<u>-</u>	<u>(80,000)</u>	<u>(16,901)</u>
<b><u>BALANCE, JUNE 30, 2013</u></b>	<b><u>\$ 311,016</u></b>	<b><u>\$ 27,214</u></b>	<b><u>\$ 2,073</u></b>

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, 2013**

<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	\$ 333,219	\$ -	\$ 968,422
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>434,721</u>	<u>-</u>	<u>4,689,148</u>
Public safety:					
Police	<u>24,820</u>	<u>836,578</u>	<u>822,866</u>	<u>-</u>	<u>1,684,264</u>
Highway and streets:					
Maintenance	62,461	367,650	902,637	-	1,332,748
Street system	111,561	-	-	15,473,730	15,585,291
	<u>174,022</u>	<u>367,650</u>	<u>902,637</u>	<u>15,473,730</u>	<u>16,918,039</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	1,611,421	7,495	-	1,663,916
	<u>880,418</u>	<u>8,128,637</u>	<u>294,244</u>	<u>-</u>	<u>9,303,299</u>
Total governmental funds capital assets	<u>\$ 2,364,629</u>	<u>\$ 12,301,923</u>	<u>\$ 2,454,468</u>	<u>\$ 15,473,730</u>	<u>\$ 32,594,750</u>

**CITY OF HERMISTON, OREGON**

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

**June 30, 2013 and 2012**

	June 30,	
	<u>2013</u>	<u>2012</u>
<b><u>GOVERNMENTAL FUNDS CAPITAL ASSETS:</u></b>		
Land	\$ 2,364,629	\$ 2,253,068
Buildings and improvements	12,301,923	12,211,103
Machinery and equipment	2,454,468	2,391,810
Infrastructure	15,473,730	15,157,523
Construction in progress	-	79,862
	<u>                    </u>	<u>                    </u>
Total governmental funds capital assets	<u>\$ 32,594,750</u>	<u>\$ 32,093,366</u>
 <b><u>INVESTMENT IN GOVERNMENTAL FUND</u></b>		
<b><u>CAPITAL ASSETS BY SOURCE:</u></b>		
Unsegregated amounts, prior years	\$ 16,896,806	\$ 16,896,806
General fund	3,661,300	3,600,738
Special revenue funds	6,589,546	6,068,862
Capital project funds	5,377,098	5,456,960
Donations	70,000	70,000
	<u>                    </u>	<u>                    </u>
Total governmental funds capital assets	<u>\$ 32,594,750</u>	<u>\$ 32,093,366</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, 2013**

<u>Function and Activity</u>	Governmental Funds Capital Assets			Governmental Funds Capital Assets
	<u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2013</u>
General government:				
City hall	\$ 979,544	\$ -	\$ (11,122)	\$ 968,422
Airport	2,277,729	-	-	2,277,729
Parking	494,380	-	-	494,380
Inspections	53,895	-	-	53,895
Other - unclassified	894,722	-	-	894,722
	<u>4,700,270</u>	<u>-</u>	<u>(11,122)</u>	<u>4,689,148</u>
Public safety:				
Police	<u>1,634,980</u>	<u>49,284</u>	<u>-</u>	<u>1,684,264</u>
Highways and streets:				
Maintenance	1,308,252	24,496	-	1,332,748
Infrastructure	15,157,523	427,768	-	15,585,291
	<u>16,465,775</u>	<u>452,264</u>	<u>-</u>	<u>16,918,039</u>
Culture and recreation:				
Aquatic center	3,826,239	-	-	3,826,239
Library	792,769	-	-	792,769
Parks	2,715,715	-	-	2,715,715
CRC community building	304,660	-	-	304,660
Community center building	1,573,096	90,820	-	1,663,916
EOTEC facility	79,862	-	(79,862)	-
	<u>9,292,341</u>	<u>90,820</u>	<u>(79,862)</u>	<u>9,303,299</u>
Total governmental funds capital assets	<u>\$ 32,093,366</u>	<u>\$ 592,368</u>	<u>\$ (90,984)</u>	<u>\$ 32,594,750</u>

**STATISTICAL SECTION**

**CITY OF HERMISTON, OREGON**

**STATISTICAL SECTION CONTENTS**

**June 30, 2013**

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

	<u>Pages</u>
<b><u>Financial Trends</u></b>	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	89-93
<b><u>Revenue Capacity</u></b>	
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	94-97
<b><u>Debt Capacity</u></b>	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	98-101
<b><u>Demographic and Economic Information</u></b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	102-104
<b><u>Operating Information</u></b>	
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	105-108

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

**CITY OF HERMISTON, OREGON**

**NET POSITION BY COMPONENT**

**Last Ten Fiscal Years**

**(Accrual Basis of Accounting)**

**June 30, 2013**

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b><u>GOVERNMENTAL ACTIVITIES:</u></b>										
Net investment in capital assets	\$ 9,715,119	\$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	2,576,299	2,600,026	3,008,653	1,464,314	-	-	163,822	205,077	327,059	420,776
Unrestricted	11,030,627	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 position	<u>23,322,045</u>	<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>
<b><u>BUSINESS-TYPE ACTIVITIES:</u></b>										
Net investment in capital assets	16,894,261	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	5,554,338	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 position	<u>22,448,599</u>	<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>
<b><u>TOTAL GOVERNMENT:</u></b>										
Net investment in capital assets	26,609,380	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	2,576,299	2,600,026	3,008,653	1,464,314	-	-	163,822	205,077	327,059	420,776
Unrestricted	16,584,965	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 position	<u>\$ 45,770,644</u>	<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 POSITION**

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

**June 30, 2013**

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b><u>EXPENSES</u></b>										
Governmental activities:										
General government	\$ 2,380,875	\$ 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	4,018,606	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	1,011,422	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	2,740,214	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	68,386	144,209	145,981	147,203	148,356	149,829	157,475	158,624	130,450	172,979
Total governmental activities expenses	<u>10,219,503</u>	<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	2,427,322	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	1,686,417	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	7,081,396	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 expenses	<u>11,195,135</u>	<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>\$ 21,414,638</u>	<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>
<b><u>PROGRAM REVENUES</u></b>										
Governmental Activities:										
Charges for services:										
General government	\$ 635,560	\$ 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	827,126	762,125	819,888	825,617	681,836	644,475	104,110	110,257	-	52,255
Cultural and recreation	701,662	673,172	638,879	617,699	405,375	572,890	533,716	501,993	338,776	149,027
Operating grants and contributions	91,517	93,004	503,157	231,061	225,092	130,437	154,949	92,995	118,356	83,870
Capital grants and contributions	401,383	376,926	199,858	236,413	1,194,254	322,692	387,466	-	252,821	191,749
Total governmental activities program revenues	<u>2,657,248</u>	<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	2,948,154	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	1,865,292	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	7,184,651	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>11,998,097</u>	<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>\$ 14,655,345</u>	<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>

(continued on next page)

**CITY OF HERMISTON, OREGON**

**CHANGES IN NET POSITION**

**Last Ten Fiscal Years**

**(Accrual Basis of Accounting)**

**June 30, 2013**

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b><u>NET (EXPENSE) REVENUE</u></b>										
Governmental activities	\$ (7,562,255)	\$ (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	802,962	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>\$ (6,759,293)</u>	<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>
<b><u>GENERAL REVENUES AND OTHER</u></b>										
<b><u>CHANGES IN NET POSITION</u></b>										
Governmental activities										
Taxes										
Property taxes	\$ 4,938,762	\$ 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	441,185	413,789	364,064	363,115	339,377	320,022	313,442	300,436	275,625	264,908
Franchise fee	384,155	396,169	389,756	412,427	508,594	424,780	438,831	393,501	363,315	284,502
911 taxes	122,058	112,098	120,827	122,544	138,996	172,219	-	-	-	-
Motor fuel taxes	924,983	917,016	780,571	667,479	615,027	682,152	712,278	721,384	707,943	633,688
State shared taxes	409,772	379,829	354,712	314,791	334,322	330,842	389,446	427,229	389,551	368,581
Interest and investment earnings	21,485	4,109	14,570	10,873	52,759	203,167	349,544	272,280	112,122	75,017
Change in joint venture net position	845,921	-	-	-	-	-	-	-	-	-
Other revenues	552,843	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	864,438	(359,513)	(28,473)	182,056	(214,228)	520,965	(350,294)	(283,839)	(953,614)	1,051,945
Total governmental activities	<u>9,505,602</u>	<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	10,648	7,079	18,027	21,272	56,744	174,581	167,017	117,281	56,794	55,820
Other revenues	151,859	131,056	196,320	145,606	67,273	84,906	70,742	77,309	95,317	66,565
Transfers	(864,438)	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>(701,931)</u>	<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>8,803,671</u>	<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>
<b><u>CHANGE IN NET POSITION</u></b>										
Governmental activities	1,943,347	350,602	1,062,213	945,372	149,174	600,962	(131,212)	(978,082)	(1,034,736)	797,414
Business-type activities	101,031	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>\$ 2,044,378</u>	<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>

**CITY OF HERMISTON, OREGON**

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b><u>GENERAL FUND</u></b>										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,000	\$ -	\$ 141,980	\$ 50,001
Unreserved	-	-	-	4,019,854	2,795,028	3,514,949	3,345,530	2,855,982	3,288,325	4,105,501
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	1,859,278	-	55,000	-	-	-	-	-	-	-
Unassigned	3,011,936	5,576,960	5,022,820	-	-	-	-	-	-	-
Total general fund	<u>\$ 4,871,214</u>	<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>
<b><u>ALL OTHER GOVERNMENTAL FUNDS</u></b>										
Reserved	\$ -	\$ -	\$ -	\$ 21,366	\$ -	\$ -	\$ 83,900	\$ 39,478	\$ 34,000	\$ 314,172
Unreserved, reported in:										
Special revenue funds	-	-	-	4,086,817	3,971,670	4,047,028	3,437,527	4,231,748	4,605,609	5,446,143
Debt service fund	-	-	-	154,946	106,557	112,239	109,782	315,749	261,521	134,935
Nonspendable	1,682,405	106,839	106,260	-	-	-	-	-	-	-
Restricted	2,501,362	2,600,026	3,010,653	-	-	-	-	-	-	-
Committed	3,818,631	1,940,657	1,560,134	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 8,002,398</u>	<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>

The City implemented GASB Statement 54 in the year ended June 30, 2011 to provide more clearly defined categories of fund balances.

**CITY OF HERMISTON, OREGON**

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b><u>REVENUES</u></b>										
Property taxes	\$ 4,978,359	\$ 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	441,185	413,789	364,064	363,115	339,377	320,022	313,442	300,436	275,625	264,908
911 tax	122,058	112,098	120,827	122,544	138,996	172,219	97,111	119,985	133,766	132,314
Franchise fees	384,155	396,169	389,756	412,427	508,594	424,780	438,831	393,501	363,315	284,502
Intergovernmental	1,334,755	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	4,355	5,350	5,390	4,580	5,170	5,165	3,165	3,220	2,575	2,305
Fines and forfeits	718,828	650,872	703,996	821,037	676,666	534,927	521,637	443,636	359,138	363,724
Investment interest	21,485	4,109	14,455	10,873	52,759	203,167	349,544	272,280	112,122	75,017
Charges for services	1,441,165	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	1,043,797	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	10,490,142	9,989,371	10,075,947	10,117,677	10,494,827	9,414,725	9,075,918	7,956,683	7,528,786	6,707,967
<b><u>EXPENDITURES</u></b>										
General government	2,271,074	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	3,942,358	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	618,522	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	2,370,707	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	864,410	681,704	376,545	284,884	1,688,420	788,371	937,742	586,452	1,168,738	3,735,143
Debt service:										
Principal	60,000	55,000	45,000	45,000	40,000	128,000	118,000	109,000	104,000	146,000
Interest	72,907	144,363	145,981	147,309	148,439	154,355	159,645	164,716	169,324	174,150
Total expenditures	10,199,978	9,160,243	8,575,590	8,890,005	11,081,560	9,338,213	9,091,842	8,561,322	8,326,489	10,359,610
<b><u>EXCESS (DEFICIENCY) OF REVENUES</u></b>										
<b><u>OVER (UNDER) EXPENDITURES</u></b>	290,164	829,128	1,500,357	1,227,672	(586,733)	76,512	(15,924)	(604,639)	(797,703)	(3,651,643)
<b><u>OTHER FINANCING SOURCES (USES)</u></b>										
Transfers in	4,022,425	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	(3,157,987)	(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)
Change in joint venture fund balance	1,492,582	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	32,000	104,844
Total other financing sources (uses)	2,357,020	(359,513)	(28,473)	182,056	(214,228)	520,965	(350,294)	(283,839)	(921,614)	1,156,789
<b><u>NET CHANGE IN FUND BALANCES</u></b>	<b><u>\$ 2,647,184</u></b>	<b><u>\$ 469,615</u></b>	<b><u>\$ 1,471,884</u></b>	<b><u>\$ 1,409,728</u></b>	<b><u>\$ (800,961)</u></b>	<b><u>\$ 597,477</u></b>	<b><u>\$ (366,218)</u></b>	<b><u>\$ (888,478)</u></b>	<b><u>\$ (1,719,317)</u></b>	<b><u>\$ (2,494,854)</u></b>
Debt service as a percentage of noncapital expenditures	1.42%	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>
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%
2013	744,573,580	36,035,810	24,568,100	805,177,490	6.44	941,918,787	85.48%

**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>2013</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>
<b><u>Direct rates</u></b>										
City of Hermiston general	6.09	6.09	6.09	6.09	6.09	6.09	6.09	5.08	5.08	5.08
City of Hermiston bond	0.35	0.46	0.51	0.52	0.48	0.50	0.17	0.65	0.68	0.70
Total direct rates	<u>6.44</u>	<u>6.55</u>	<u>6.60</u>	<u>6.61</u>	<u>6.57</u>	<u>6.59</u>	<u>6.26</u>	<u>5.73</u>	<u>5.76</u>	<u>5.78</u>
<b><u>Overlapping rates</u></b>										
Umatilla County	3.10	3.11	3.11	3.11	3.11	3.12	3.14	3.15	3.15	3.20
Hermiston School District #8	9.01	8.98	9.12	9.26	7.40	8.07	7.99	5.96	7.36	7.88
Intermountain E.S.D.	0.62	0.62	0.56	0.56	0.56	0.56	0.56	0.46	0.46	0.46
Blue Mountain Community College	0.96	0.96	0.97	0.97	0.96	0.99	0.99	0.86	0.84	0.88
Port of Umatilla	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15
Hermiston Cemetery District #8	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09
Hermiston Fire and Emergency Services District #7-404	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
Umatilla Morrow Radio and Data District	0.17	0.17	-	-	-	-	-	-	-	-
West Umatilla Mosquito Control District	0.29	0.29	0.29	0.34	0.25	0.25	0.25	0.25	0.20	0.20
Total overlapping rates	<u>15.59</u>	<u>15.57</u>	<u>15.49</u>	<u>15.68</u>	<u>13.72</u>	<u>14.43</u>	<u>14.37</u>	<u>12.12</u>	<u>13.45</u>	<u>14.06</u>
<b>Total</b>	<u><u>22.03</u></u>	<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>

**CITY OF HERMISTON, OREGON**

**Principal Taxpayers**  
**June 30, 2013**

Taxpayer	Type of Business	2013			2004		
		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	\$ 36,656,560	4.6%	1	\$ 31,092,850	5.9%
Retail Trust #2	Shopping center	2	8,815,560	1.1%	3	7,665,510	1.5%
Wal-Mart /Sam's Club	Distribution center	3	8,488,090	1.1%			
HD Development of Maryland, Inc.	Retailer	4	8,424,550	1.0%			
Hermiston Station, LLC	Unknown	5	8,052,530	1.0%			
Umatilla Electric Co-op	Power utility	6	6,513,300	0.8%	7	5,903,800	1.1%
Good Shepherd Hospital	Medical offices	7	6,155,920	0.8%			
Hermiston Foods LLC	Food processing	8	5,458,646	0.7%	5	7,218,800	1.4%
CDS Hermiston, LLC	Unknown	9	4,904,260	0.6%			
Sterling Ridge Apartments, LLC	Apartments	10	4,861,490	0.6%	8	5,718,790	1.1%
U.S. West Communications	Telephone utility		-		2	11,601,800	2.2%
Pan Pacific Retail Properties	Shopping center		-		4	7,279,930	1.4%
Clay Davis Stroud, LLC	Apartments		-		6	6,176,770	1.2%
S.R. Innco, Inc.	Apartments		-		9	5,155,690	1.0%
CMH Manufacturing West, Inc.	Manufacturing plant		-		10	4,616,050	0.9%
			<u>\$ 98,330,906</u>	<u>12.2%</u>		<u>\$ 92,429,990</u>	<u>17.7%</u>

**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
2004	3,042,382	2,833,672	93.1	208,401	3,042,073	100.0 %
2005	3,232,964	2,972,550	91.9	260,050	3,232,600	100.0
2006	3,395,907	3,156,735	93.0	238,582	3,395,317	100.0
2007	3,983,206	3,702,634	93.0	279,864	3,982,498	100.0
2008	4,364,595	4,083,728	93.6	275,958	4,359,686	99.9
2009	4,576,241	4,230,533	92.4	337,756	4,568,289	99.8
2010	4,863,080	4,509,768	92.7	317,021	4,826,789	99.3
2011	4,938,735	4,586,786	92.9	283,645	4,870,431	98.6
2012	4,997,696	4,641,447	92.9	245,755	4,887,202	97.8
2013	5,035,471	4,719,222	93.7	-	4,719,222	93.7

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			
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	4.52%	1,387
2012	3,265,000	-	0.42%	194	12,530,000	4,626,731	945,637	21,367,368	*	1,267
2013	3,260,000	-	0.40%	192	12,305,000	4,116,262	4,259,869	23,941,131	*	1,409

**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, 2013**

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to City (1)</u>	<u>Amount Applicable to City</u>
<b><u>DIRECT:</u></b>			
City of Hermiston (2)	<u>\$ 3,260,000</u>	100.00%	<u>\$ 3,260,000</u>
<b><u>OVERLAPPING:</u></b>			
Umatilla County	17,125,000	17.35%	2,970,369
School District #8	115,621,508	45.53%	52,643,059
Blue Mountain Community College	<u>11,740,000</u>	17.35%	<u>2,036,329</u>
Total overlapping	<u>144,486,508</u>		<u>57,649,756</u>
Total direct and overlapping	<u>\$ 147,746,508</u>		<u>\$ 60,909,756</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, 2013**

**Legal Debt Margin Calculation for Fiscal Year 2013**

True cash value	<u>\$ 941,918,787</u>	
Debt limit (3% of assessed value)		\$28,257,564
Debt applicable to limit:		
Gross bonded debt	\$ 19,681,262	
Less legal deductions:		
Full faith and credit bonds	(3,260,000)	
Water bonds	(2,975,000)	
Utility bonds	(1,141,262)	
Energy bonds	<u>(12,305,000)</u>	
Total net debt applicable to limit		-
Legal debt margin		<u>\$28,257,564</u>
Total net debt applicable to the limit as a percentage of debt limit		0.00%

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Debt limit	\$ 15,787,304	\$16,840,245	\$17,699,914	\$19,340,500	\$20,077,232	\$21,154,614	\$28,383,011	\$28,053,431	\$28,000,719
Total net debt applicable to limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 15,787,304</u>	<u>\$16,840,245</u>	<u>\$17,699,914</u>	<u>\$19,340,500</u>	<u>\$20,077,232</u>	<u>\$21,154,614</u>	<u>\$28,383,011</u>	<u>\$28,053,431</u>	<u>\$28,000,719</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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.

The computation for years prior to 2013 differs from that presented in prior versions of the City's Comprehensive Annual Financial Reports. During 2013, the City's bond counsel informed the City that full faith and credit bonds used to finance the City's aquatic center are not subject to the debt limit. Accordingly, the prior year columns were revised.

**CITY OF HERMISTON, OREGON**

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

Fiscal Year	Gross Revenues (1)	Less: Operating Expenses (2)	Net Available Revenues	Debt Service (3)		Coverage
				Principal	Interest	
<b>Utility</b>						
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
2013	4,255,424	2,832,605	1,422,819	255,469	57,528	4.55
<b>Electric</b>						
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
2013	7,374,474	6,006,046	1,368,428	225,000	570,924	1.72

- (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>
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	30,701	515,623,295	9.1
2012	16,865	*	*	8.5
2013	16,995	*	*	8.2

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>2013</u>			<u>2004</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>
Con-Agra Foods	1,000	1	8.8%			
Wal-Mart Distribution	800	2	7.1%	Information not available		
River Point Farms	650	3	5.7%			
Good Shepherd Medical Center	465	4	4.1%			
Hermiston School District	455	5	4.0%			
Wal-Mart Supercenter	400	6	3.5%			
Union Pacific Railroad	300	7	2.7%			
Hermiston Foods	275	8	2.4%			
Medelez Trucking	200	9	1.8%			
Shearers	200	9	1.8%			
Umatilla Army Depot Contractors	200	9	1.8%			
			<u>43.7%</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 Ten Fiscal Years**

<u>Function/Program</u>	Full-time Equivalent Employees as of June 30,									
	<u>2013</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	8.17	7.97	5.89	6.5	11.2	11.2	11.2	11.2	11.2	11.2
Public safety	35.10	36.00	33.00	33.0	35.0	35.0	33.5	33.5	33.5	33.5
Highways and streets	5.65	5.34	5.83	5.6	6.3	6.3	6.3	6.3	6.3	6.3
Cultural and recreation	24.95	28.72	27.30	23.5	27.5	27.5	27.5	27.5	27	17
Water	10.66	10.62	9.92	10.0	10.7	10.7	10.7	10.7	10.7	10.7
Sewer	11.62	11.28	8.59	11.0	11.4	11.4	11.4	11.4	11.4	11.4
Electric	2.31	2.33	2.54	2.4	2.4	2.4	2.4	2.4	2.4	2.4
<b>Total</b>	<b><u>98.46</u></b>	<b><u>102.26</u></b>	<b><u>93.07</u></b>	<b><u>92.0</u></b>	<b><u>104.5</u></b>	<b><u>104.5</u></b>	<b><u>103</u></b>	<b><u>103</u></b>	<b><u>102.5</u></b>	<b><u>92.5</u></b>

Source: City of Hermiston

**CITY OF HERMISTON, OREGON**

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

<b><u>FUNCTION/PROGRAM</u></b>	<b>Fiscal Year</b>									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Governmental Activities:</b>										
General government										
Number of Senior Citizen Taxi Program tickets sold	30,706	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	24,114	26,149	27,083	33,621	36,841	26,654	26,016	25,610	*	*
Officer initiated	9,335	10,476	12,283	19,893	22,869	11,149	10,366	9,807	*	*
Calls for police service	14,779	15,673	14,802	13,728	13,972	15,505	15,650	15,803	*	*
Number of traffic stops	5,113	4,932	4,778	6,397	8,177	5,196	5,602	5,104	*	*
Highways and streets										
Estimated miles of street swept	3,205	4,964	6,200	5,237	6,800	5,000	10,242	600	*	*
Cultural and recreation										
Number of library items checked out	83,791	84,388	86,997	100,412	102,527	100,886	98,072	89,835	60,521	*
Number of library patrons	11,064	10,462	9,565	8,773	10,217	10,245	8,984	10,007	9,873	*
<b>Business-type activities:</b>										
Water										
Number of accounts	4,801	4,751	4,707	4,543	4,495	4,411	4,362	4,060	3,954	*
Annual consumption (in billions of gallons)	2,900	2,605	3,377	3,729	3,513	3,911	2,324	2,983	3,711	*
Sewer										
Number of accounts	4,540	4,504	4,449	4,428	4,604	4,314	4,494	4,393	4,283	*
Electricity										
Number of accounts	5,337	5,291	5,263	5,296	5,266	5,230	5,232	5,163	5,139	*
KWH sold	104,989,179	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 Ten Fiscal Years**

Function/Program	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental Activities										
General government										
Administrative buildings	2	2	2	2	2	2	2	2	2	2
Public Safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol units										
Cars	13	15	12	11	13	16	17	12	12	12
Bus	-	-	-	-	-	1	1	1	1	1
Motorcycles	2	2	2	3	2	2	2	2	2	2
Highways and streets										
Miles of streets	64	62	62	62	60	60	60	60	60	60
Culture and recreation										
Library collection:										
Printed materials	34,716	35,714	35,578	34,973	34,121	36,305	37,140	39,110	*	*
Audio materials	1,547	1,768	1,813	1,665	2,607	2,054	1,081	1,442	*	*
Video materials	1,725	1,734	1,961	1,707	1,759	1,618	1,339	1,407	*	*
Electronic materials	3,451	3,451	3,412	3,451	3,451	3,451	3,451	3,451	*	*
Business-type activities:										
Water										
Miles of city water line	76	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	14
City wells	6	6	6	6	6	6	6	6	6	6
Sewer: storm water pump stations (not new)	3	3	*	*	*	*	*	*	*	*
Sewage pump stations	8	8	8	8	8	8	8	8	8	8
Clarifiers	4	4	4	4	4	4	4	4	4	4
Gravity Thickeners	1	1	1	1	2	2	2	2	1	1
Electric										
Miles of overhead line	37	37	37	37	37	37	37	37	*	*
Miles of underground line	28	28	28	27	26	25	25	20	*	*
Transformers	1,359	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, 2013**

**FORM OF GOVERNMENT**

**COUNCIL-MANAGER**

Date of Incorporation  
Date of First Charter  
Type of Charter  
Date of Present Charter Adoption  
Area - Acres

July 10, 1907  
March 15, 1910  
Home Rule Charter  
November 2, 1954  
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:** 16,995

**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 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 wastewater 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, 2013**

**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, 30 magazine and movies. The library is a member of the Sage Library Consortium which provides access to a regional catalog and inter-library loans.

The library offers internet service to the public with both desktop usage or through the library Wi-Fi. The public has access to both a printer and a copy machine for a minimal charge.

The library serves Hermiston's residents, plus those nearby residents outside the City through a memorandum of understanding (MOU) with the Umatilla County Special Library District (UCSLD).

Number of Employees:

Full-Time	4
Part-Time	7

**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, airplane rental, air charter, car rental, 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 Active Park Facilities	12
Number of Acres	99

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, 2013, and have issued our report thereon dated November 18, 2013. 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 Assistant 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  
November 18, 2013

**SINGLE AUDIT SECTION**

**CITY OF HERMISTON, OREGON**

**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2013**

<u>Federal Grantor/Program Name:</u>	<u>Federal CFDA Number</u>	<u>Major Program</u>	<u>Grant Number</u>	<u>Amount</u>
<b><u>U.S. ENVIRONMENTAL PROTECTION AGENCY:</u></b>				
<u>Passed through Oregon Department of Environmental Quality</u>				
Capitalization Grants for Clean Water State Revolving Funds	66.458	X	R43771	<u>\$ 2,203,561</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE:</u></b>				
<u>Passed through Oregon Department of Education</u>				
Summer Food Service Program for Children	10.559		Not available	<u>\$ 26,536</u>
<b><u>U.S. DEPARTMENT OF TRANSPORTATION:</u></b>				
<u>Passed through Oregon Department of Transportation</u>				
National Motor Carrier Safety	20.218		28973	\$ 5,555
Alcohol Impaired Driving Countermeasures incentive Grants	20.601		Not available	<u>2,370</u>
Total U.S. Department of Transportation				<u>\$ 7,925</u>

See notes to schedule of  
expenditures of federal awards.

**CITY OF HERMISTON, OREGON**

**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2013**

**NOTE A - BASIS OF PRESENTATION:**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Hermiston, Oregon and is presented on the modified accrual basis of accounting as described in note 1 to the basic financial statements. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

Mayor and City Council  
City of Hermiston, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2013, and the related notes to the financial statements, which collectively comprise City of Hermiston, Oregon's basic financial statements and have issued our report thereon dated November 18, 2013.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 Findings 2013-1 and 2013-2 described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Mayor and City Council  
City of Hermiston  
Page two

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Hermiston, Oregon's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as Finding 2013-3 .

### **City of Hermiston, Oregon's Response to Findings**

City of Hermiston, Oregon's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Hermiston, Oregon's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

Barnett & Moro, P.C.

By:   
\_\_\_\_\_  
Richard L. Stoddard, Shareholder  
Hermiston, Oregon  
November 18, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Mayor and City Council  
City of Hermiston, Oregon

**Report on Compliance for Each Major Federal Program**

We have audited City of Hermiston, Oregon's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Hermiston, Oregon's major federal programs for the year ended June 30, 2013. City of Hermiston, Oregon's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of City of Hermiston, Oregon's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Hermiston, Oregon's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, City of Hermiston, Oregon, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

**Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Finding 2013-3. Our opinion on each major federal program is not modified with respect to this matters.

City of Hermiston, Oregon’s response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Hermiston, Oregon’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

Management of City of Hermiston, Oregon, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Hermiston, Oregon’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Hermiston, Oregon’s internal control over compliance.

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

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

Mayor and City Council  
City of Hermiston, Oregon  
Page three

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Barnett & Moro, P.C.

By:   
\_\_\_\_\_  
Richard L. Stoddard, Shareholder  
Hermiston, Oregon  
November 18, 2013

**CITY OF HERMISTON, OREGON**

**Schedule of Findings and Questioned Costs**

**Year Ended June 30, 2013**

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**Section I-Summary of Auditor's Results**

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Financial Statements

Type of auditor's report issued: unqualified opinion

Internal control over financial reporting:

- Material weakness(es) identified?     X     yes          no
- Significant deficiency(ies) identified?     X     yes          none reported

Noncompliance material to financial statements noted?          yes     X     no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?          yes     X     no
- Significant deficiency(ies) identified?          yes     X     no

Type of auditor's report issued on compliance for major program: unqualified opinion

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?          yes     X     no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs:     \$     300,000

Auditee qualified as low-risk auditee?          yes     X     no

**CITY OF HERMISTON, OREGON**

**Schedule of Findings and Questioned Costs**

**Year Ended June 30, 2013**

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**Section II-Financial Statement Findings**

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**Finding 2013-1**

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

Because of the small number of City staff, the employee collecting utility billing proceeds is also responsible for recording collections and adjustments to the utility receivable records. Other employees, who receive cash, including the aquatic center 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. The City implemented procedures for rotating duties to segregate cash handling from recordkeeping, but due to limited staffing, employees who keep records still handle cash when necessary.

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 two employees that produce bank checks are also check signers. These lack of separation of accounting duties increase the possibility that cash will be lost.

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

**Finding 2013-2**

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.

**CITY OF HERMISTON, OREGON**

**Schedule of Findings and Questioned Costs**

**Year Ended June 30, 2013**

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**Section II-Financial Statement Findings**

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**Finding 2013-2 (Continued)**

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.

**Finding 2013-3**

Oregon Lottery Grant funds are required to be maintained in a dedicated bank account separate from other City monies.

\$68,900 was paid for disallowed activities. \$12,050 was repaid on July 1, 2013. \$56,850 was removed from grant expenses in the City's general ledger, but not repaid to the separate bank account from the pooled cash account.

We recommend the City reconcile grant fund cash reported in the general ledger to the separate bank and investment accounts.

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**Section III-Federal Award Findings and Questioned Costs**

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There are no federal award findings or questioned costs for the year ended June 30, 2013.

**CITY OF HERMISTON, OREGON**

**Corrective Action Plan**

**Year Ended June 30, 2013**

**CONTACT PERSON RESPONSIBLE FOR CORRECTIVE ACTION:**

Amy Palmer, Finance Director  
180 N.E. Second Street  
Hermiston, OR 97838  
Phone: (541)567-5521

**CORRECTIVE ACTION PLAN:**

**Finding 2013-1**

Good accounting controls require that employees with access to cash not also record the transactions in the accounting records. Additionally, the employee preparing and producing bank checks should not also be an authorized check signer or reconcile the bank account.

**CORRECTIVE ACTION PLANNED OR TAKEN:**

The City has segregated the duties of receipting cash from balancing and recording the transactions in the accounting records. Of the four staffs that are responsible for front counter duties, three will take payments from customers at the counter, process payments from the mail and take payments over the phone. The fourth employee will be responsible for balancing cash and recording the transactions in the accounting records.

The two employees who prepare bank checks have been removed as authorized check signers. The bank reconciliation will now be reviewed by the Finance Director and approval indicated by initialing it.

**Finding 2013-2**

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

**CORRECTIVE ACTION PLANNED OR TAKEN:**

The Hermiston Municipal Court receives charges and citations from the Police Department. The Court enters these charges and citations into its records. Reconciling the Police Department information with the Court's information is currently being done once a quarter. The City will now perform this reconciliation monthly.

The Court levies fines, receives payments, and maintains computerized records of fines receivables. This is reconciled independently and the reconciliation documents assessments, payments and adjustments. Adjustments are authorized and monitored by the Judge, but specific records are not available. The City will now maintain a detailed summary of authorized adjustments signed by the Judge. The Finance Director will monitor adjustments made by the Clerk of the Court each month.

Some court fines receivable become uncollectible for a variety of reasons. These receivables are not being reviewed and written-off in a timely manner. The City will establish and follow a regular schedule for reviewing and writing off uncollectible accounts.

**CITY OF HERMISTON, OREGON**

**Corrective Action Plan**

**Year Ended June 30, 2013**

**Finding 2013-3**

Oregon Lottery Grant funds are required to be maintained in a dedicated bank account separate from other City monies. \$68,900 was paid for disallowed activities. \$12,050 was repaid on July 1, 2013. \$56,850 was removed from grant expenses in the City's general ledger, but not repaid to the separate bank account from the pooled cash account.

**CORRECTIVE ACTION PLANNED OR TAKEN:**

The City will reconcile grant fund cash reported in the general ledger to the separate bank and investment accounts.

**ANTICIPATED COMPLETION DATE OF ALL CORRECTIVE ACTIONS:**

December 31, 2013

**CITY OF HERMISTON, OREGON**

**SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS**

**Year Ended June 30, 2013**

**QUESTIONED COSTS:**

There were no questioned costs for the year ended June 30, 2012.

**FINDINGS:**

There were no findings relative to federal awards for the year ended June 30, 2012.