

CITY OF HERMISTON, OREGON
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended
June 30, 2014

Prepared by the Department of Finance

CITY OF HERMISTON, OREGON

June 30, 2014

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INTRODUCTORY SECTION

CITY OF HERMISTON, OREGON

List of Principal Officials

June 30, 2014

ELECTED OFFICIALS

Term Expires

Mayor:

Dr. David Drotzmann

December 31, 2016

Council Members:

Lori Davis

December 31, 2018

Clara Beas-Fitzgerald

December 31, 2018

Jackie C. Myers

December 31, 2018

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:

Byron Smith

Assistant 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:

Nate Rivera

Building Official:

Chuck Woolsey

Parks & Recreation Director:

Larry Fetter

City Planner:

Clint Spencer

OFFICIAL ADDRESS

180 N.E. Second Street

Hermiston, OR 97838

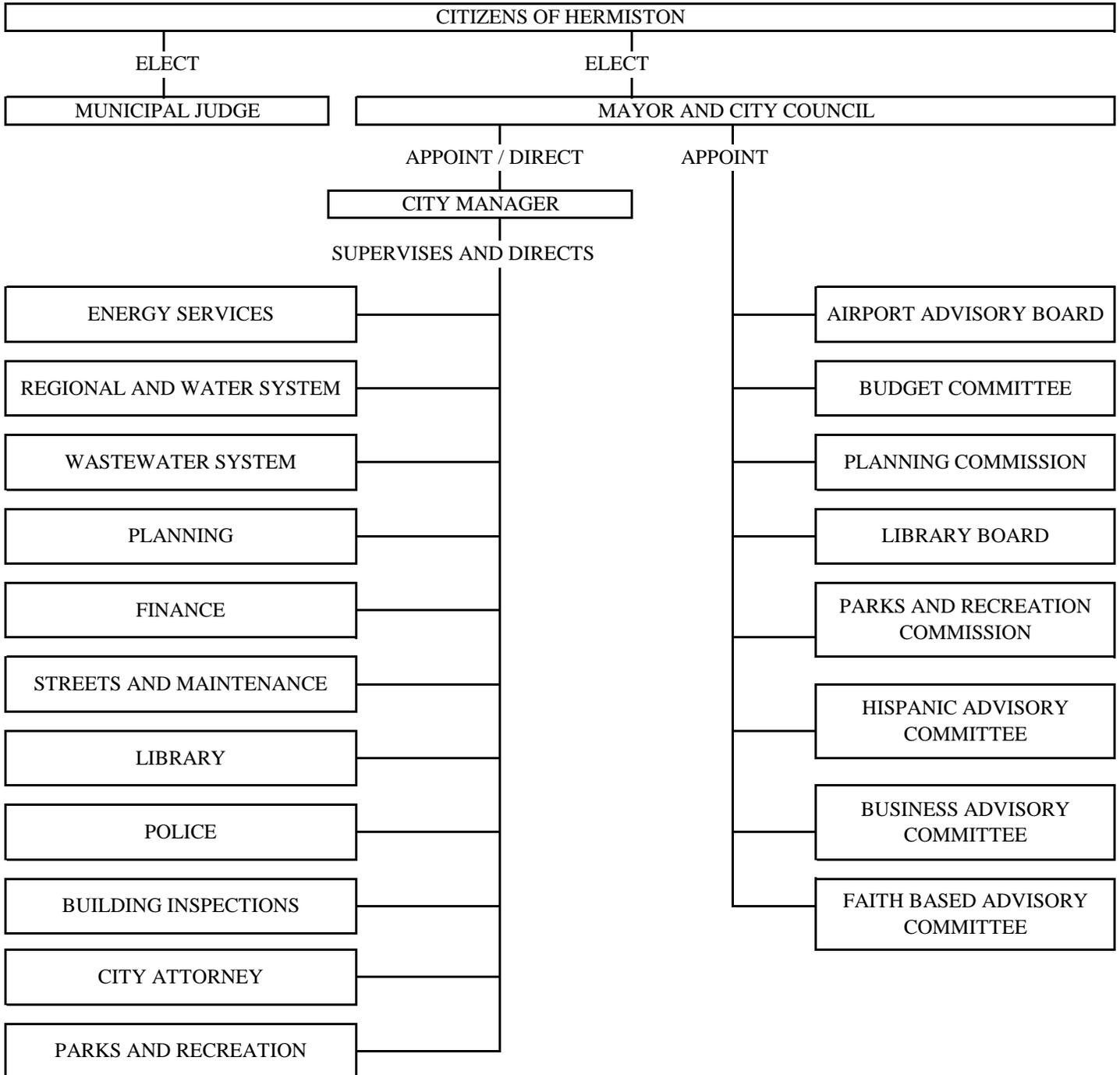
Telephone: 541-567-5521

Fax: 541-567-5530

CITY OF HERMISTON, OREGON

Organizational Chart

June 30, 2014





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

December 4, 2014

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, 2014, 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, either in-house or through the use of third-party contractors. These services include police protection; sanitation services; the construction and maintenance of highways, streets, and infrastructure; recreational activities and cultural events. In addition to general government activities, the City operates electricity, water, and sewer utility systems.

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

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

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

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

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

ECONOMIC CONDITIONS AND OUTLOOK

A labor market economist for the State of Oregon speaks of Hermiston as "one of the most desirable sites for industrial development in the Pacific Northwest" because of its low land costs, large inventory of industrially zoned land, reasonable local taxes and excellent access to transportation routes. The citizens and government of Hermiston boast a progressive, growth oriented philosophy that encourages new businesses to locate here. There are approximately 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 2013 population estimate for the city was 17,240.

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. Lifeways mental health services 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. DuPont-Pioneer announced another combined \$35 million worth of investments in 2013 which will double the capacity of the facilities as the phases are built-out over several years. The raw commodities required by Pioneer effectively diversify the region's agricultural portfolio and raise the value of grower contracts in the area, while also creating additional opportunities for agricultural support services business.

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 Ordinance 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 17,240 in 2013.

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 Oregon East Symphony. There are eight movie theaters and a roller rink. Hermiston boasts more than 150 organizations, including service clubs such as Rotary, Kiwanis and Altrusa, and fraternal organizations such as the Elks, Eagles and Moose. Hermiston also has a modern public library.

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 potato processing plant in the Hermiston area which employs approximately 800 people. ConAgra/Lamb Weston also completed a \$200 million expansion to their other facility at the nearby Port of Morrow in early 2014, resulting in 150 new jobs for the region. 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. Shearer's made another \$3 million investment at their Hermiston plant in early 2014 to bring a new chip variety online at this location and increase full-time employment by another 35 jobs.

Hermiston Foods Incorporated, a wholly owned subsidiary of Norpac Foods, operates a 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 1.2 million square foot distribution center which employs approximately 800 workers and transfers merchandise to about 400 trucks daily. UPS Freight and FedEx Ground also both operate full-service freight terminals near the I-84/82 interchange. The FedEx facility was completed in early 2011, and serves 120 trucks per day.

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 \$13,790,336 on this project during the year ended June 30, 2014 bringing total expenditures so far on this project to \$22,964,480. 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 issued bonds in May 2014 to finance the remaining amount. Construction on the plant began in March 2013 and is expected to be completed in late 2014. Construction on the Outfall, the final piece of the project, is anticipated to begin in late November or early December 2014. The Outfall, the final piece of the project, is anticipated to begin in late November or early December 2014. The "in-water" portion of the work will be done the summer of 2015 with project completion also expected summer of 2015.

Citizens of the City of Hermiston

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.

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, 2013. 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.

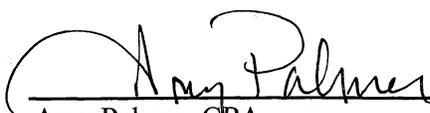
ACKNOWLEDGEMENTS

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,



Byron Smith
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, 2013

Executive Director/CEO

FINANCIAL SECTION

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, 2014, 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, 2014, 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 20, 2014, 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.

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 4, 2014, on our consideration of the City of Hermiston, Oregon's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Barnett & Moro, P.C.

By: 

Richard L. Stoddard, Shareholder
Hermiston, Oregon
December 4, 2014

CITY OF HERMISTON, OREGON

Management's Discussion and Analysis

June 30, 2014

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, 2014

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	
	2014	2013	2014	2013	2014	2013
Cash and investments	\$ 17,565	\$ 17,269	\$ 9,361	\$ 6,447	\$ 26,926	\$ 23,716
Other assets	4,150	4,117	1,339	1,536	5,489	5,653
Capital assets	13,109	12,974	50,721	37,529	63,830	50,503
Total assets	<u>34,824</u>	<u>34,360</u>	<u>61,421</u>	<u>45,512</u>	<u>96,245</u>	<u>79,872</u>
Deferred charge on refunding	-	-	69	-	69	-
Other liabilities	7,834	7,779	2,122	2,428	9,956	10,207
Long term debt outstanding	3,245	3,259	36,923	20,635	40,168	23,894
Total liabilities	<u>11,079</u>	<u>11,038</u>	<u>39,045</u>	<u>23,063</u>	<u>50,124</u>	<u>34,101</u>
Net Position:						
Net investment in						
capital assets	9,864	9,715	13,798	16,894	23,662	26,609
Restricted	-	2,576	-	-	-	2,576
Unrestricted	13,881	11,031	8,647	5,555	22,528	16,586
Total net position	<u>\$ 23,745</u>	<u>\$ 23,322</u>	<u>\$ 22,445</u>	<u>\$ 22,449</u>	<u>\$ 46,190</u>	<u>\$ 45,771</u>

CITY OF HERMISTON, OREGON

Management's Discussion and Analysis (continued)

June 30, 2014

Financial Highlights (continued)

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
REVENUES						
Program revenues:						
Charges for service	\$ 2,243	\$ 2,164	\$ 12,354	\$ 11,998	\$ 14,597	\$ 14,162
Operating Grants and contributions	93	92	-	-	93	92
Capital Grants and contributions	674	401	-	-	674	401
General revenues:						
Taxes	7,559	7,221	-	-	7,559	7,221
Interest	130	21	40	10	170	31
Change in joint venture net position	(98)	846	-	-	(98)	846
Other	227	553	218	152	445	705
Total revenues	<u>10,828</u>	<u>11,298</u>	<u>12,612</u>	<u>12,160</u>	<u>23,440</u>	<u>23,458</u>
EXPENSES						
Governmental activities:						
General government	2,236	2,381	-	-	2,236	2,381
Public safety	4,206	4,019	-	-	4,206	4,019
Highways and streets	1,138	1,011	-	-	1,138	1,011
Cultural and recreation	2,575	2,740	-	-	2,575	2,740
Interest on long-term debt	79	68	-	-	79	68
Business-type activities:						
Water	-	-	2,959	2,427	2,959	2,427
Sewer	-	-	1,840	1,687	1,840	1,687
Electric	-	-	7,484	7,081	7,484	7,081
Total expenses	<u>10,234</u>	<u>10,219</u>	<u>12,283</u>	<u>11,195</u>	<u>22,517</u>	<u>21,414</u>
Change in net position before transfers	594	1,079	329	965	923	2,044
Transfers	(34)	864	34	(864)	-	-
Change in net position	560	1,943	363	101	923	2,044
Beginning net position	23,322	20,357	22,449	22,348	45,771	42,705
Prior period adjustment	(137)	1,022	(367)	-	(504)	1,022
Ending net position	<u>\$ 23,745</u>	<u>\$ 23,322</u>	<u>\$ 22,445</u>	<u>\$ 22,449</u>	<u>\$ 46,190</u>	<u>\$ 45,771</u>

CITY OF HERMISTON, OREGON

Management's Discussion and Analysis (continued)

June 30, 2014

Financial Highlights (continued)

The City's overall net position (reported on the government-wide Statement of Activities) increased by \$912,000 during the year, before including a downward prior period adjustment of \$504,000. 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 were \$471,000 lower than the prior year, mostly due to a large contribution to the Eastern Oregon Trade and Event Center (EOTEC) joint venture during the prior year that did not recur in the current year. The City and Umatilla County each own half of the Center, regardless of how much each contribute. Increases in other City revenues such as: transient room taxes, franchise taxes, investment interest, charges for service, capital grants, and State of Oregon intergovernmental revenue contributed to an overall increase in net position from governmental activities.

The primary fund of the City, the General Fund, ended the year of operations with a decrease in fund balance of \$220,000 compared to a decrease of \$706,000 the previous year. Revenue increased by \$375,000 while expenditures increased \$90,000. Additionally, the General Fund transferred \$190,000 less 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 \$250,000 due to current year transfers committed for future infrastructure improvements. The EOTEC Fund decreased its fund balance by \$42,000 due to changes in joint venture equity relating to unequal contributions as described above. 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 investment income, increased grants including a grant to improve the Hermiston Municipal Airport, and increases in all categories of intergovernmental revenues from the State of Oregon.

Business-Type Activities

The Utility Fund experienced an increase in fund balance of \$559,000, mostly due to increased utility rates. Revenues increased by 2.8% over the prior year. Expenses increased by 12.8% from the prior year because of increased labor costs and significant repair expenses.

CITY OF HERMISTON, OREGON

Management's Discussion and Analysis (continued)

June 30, 2014

Business-Type Activities (Continued)

The net position of the Energy Fund decreased by \$117,000 during the year. Revenue was similar to the prior year, but the cost of wholesale power increased.

The Regional Water Fund experienced an increase in net position of \$113,000 compared to an increase of \$200,000 the year before, mainly due to increased water costs and professional fees.

The Wastewater Treatment Plant Construction Fund's net position did not change during the year. All funding was from loan proceeds. All expenses were capitalized.

Budgetary Highlights

The City adopted one supplemental budget increasing appropriations by \$895,000. Budget overexpenditures are listed in Note 2.

General Fund revenues exceeded budgeted expectations by \$1,139,000. Actual expenditures of the General Fund were \$408,000 less than budgeted. The City has, and will continue to budget conservatively on general revenues and expenditures.

Capital Assets

The City had \$63.8 million in capital assets net of depreciation at June 30, 2014 allocated as follows:

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

	Governmental Activities		Business-type Activities		Total Governmental	
	2014	2013	2014	2013	2014	2013
Land and easements	\$ 2,365	\$ 2,365	\$ 1,073	\$ 1,073	\$ 3,438	\$ 3,438
Construction in progress	52	-	22,972	9,174	23,024	9,174
Buildings and systems	5,696	5,234	26,538	27,104	32,234	32,338
Machinery, equipment	394	439	138	178	532	617
Street system	4,602	4,936	-	-	4,602	4,936
Total capital assets	<u>\$ 13,109</u>	<u>\$ 12,974</u>	<u>\$ 50,721</u>	<u>\$ 37,529</u>	<u>\$ 63,830</u>	<u>\$ 50,503</u>

Major changes in capital assets included the following:

The City added \$13,790,000 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 \$452,000 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, 2014

Debt Administration

At year end, the City had \$39.8 million in long term debt outstanding compared to \$23.9 million last year. The City repaid \$884,000 of long term debt during the year and received \$16.7 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 2014-15 budget decreased appropriations by \$4.5 million from the final 2013-14 budget. Appropriations to construct the City's wastewater treatment plant decreased by \$12 million, offsetting a \$3.0 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, 2014

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
<u>ASSETS</u>			
Cash and investments	\$ 17,565,099	\$ 9,361,106	\$ 26,926,205
Accounts and other receivables, net	308,867	1,338,919	1,647,786
Property taxes receivable	334,776	-	334,776
Contracts receivable	1,198,938	-	1,198,938
Investment in joint venture	2,306,638	-	2,306,638
Capital assets:			
Nondepreciable	2,416,214	24,045,233	26,461,447
Depreciable, net of depreciation	10,693,118	26,675,361	37,368,479
Total assets	<u>34,823,650</u>	<u>61,420,619</u>	<u>96,244,269</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred charge on refunding	-	69,509	69,509
<u>LIABILITIES</u>			
Accounts payable	256,243	1,316,320	1,572,563
Accrued interest payable	7,640	546,033	553,673
Deposits payable	-	177,418	177,418
Unearned revenue	7,276,873	-	7,276,873
Compensated absences payable			
Due within one year	233,902	65,739	299,641
Due in more than one year	58,475	16,435	74,910
Notes payable within one year	-	7,380	7,380
Notes payable in more than one year	-	16,224,176	16,224,176
Bonds payable within one year	100,000	782,744	882,744
Bonds payable in more than one year	3,145,491	19,908,934	23,054,425
Total liabilities	<u>11,078,624</u>	<u>39,045,179</u>	<u>50,123,803</u>
<u>NET POSITION</u>			
Net investment in capital assets	9,863,841	13,797,360	23,661,201
Restricted for debt service	316,336	-	316,336
Restricted for culture and recreation	283,368	-	283,368
Restricted for highways and streets	730,706	-	730,706
Restricted for utility system development	362,019	-	362,019
Restricted for public safety	29,000	-	29,000
Unrestricted	12,159,756	8,647,589	20,807,345
Total net position	<u>\$ 23,745,026</u>	<u>\$ 22,444,949</u>	<u>\$ 46,189,975</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, 2014

	<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>
<u>ASSETS:</u>							
Cash and investments	\$ 4,611,338	\$ 753,109	\$ 4,571,228	\$ 24,553	\$ 6,103,410	\$ 1,501,461	\$ 17,565,099
Receivables:							
Property taxes	313,228	-	-	-	-	21,548	334,776
Intergovernmental and other	144,893	-	-	-	-	163,974	308,867
Contracts receivable	-	-	-	1,198,938	-	-	1,198,938
Investment in joint venture	-	-	-	-	1,501,658	-	1,501,658
Total assets	<u>\$ 5,069,459</u>	<u>\$ 753,109</u>	<u>\$ 4,571,228</u>	<u>\$ 1,223,491</u>	<u>\$ 7,605,068</u>	<u>\$ 1,686,983</u>	<u>\$ 20,909,338</u>
<u>LIABILITIES:</u>							
Accounts payable	\$ 107,647	\$ -	\$ 70,423	\$ -	\$ -	\$ 78,173	\$ 256,243
Unearned revenues	3,996	-	-	1,134,617	6,103,410	34,850	7,276,873
Total liabilities	<u>111,643</u>	<u>-</u>	<u>70,423</u>	<u>1,134,617</u>	<u>6,103,410</u>	<u>113,023</u>	<u>7,533,116</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>							
Unavailable revenue-property taxes	250,582	-	-	-	-	17,238	267,820
<u>FUND BALANCES:</u>							
Nonspendable	-	-	-	-	1,501,658	-	1,501,658
Restricted	-	603,109	652,263	-	-	466,057	1,721,429
Committed	-	150,000	3,848,542	88,874	-	1,090,665	5,178,081
Assigned	1,502,800	-	-	-	-	-	1,502,800
Unassigned	3,204,434	-	-	-	-	-	3,204,434
Total fund balances	<u>4,707,234</u>	<u>753,109</u>	<u>4,500,805</u>	<u>88,874</u>	<u>1,501,658</u>	<u>1,556,722</u>	<u>13,108,402</u>
Total liabilities and fund balances	<u>\$ 5,069,459</u>	<u>\$ 753,109</u>	<u>\$ 4,571,228</u>	<u>\$ 1,223,491</u>	<u>\$ 7,605,068</u>	<u>\$ 1,686,983</u>	<u>\$ 20,909,338</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, 2014**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 13,108,402

Capital assets used in governmental activities are not financial resources, therefore, are not reported in the governmental funds' balance sheet.

Acquisition cost	\$ 33,535,753	
Accumulated depreciation	<u>(20,426,421)</u>	
		13,109,332

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. 804,980

Unavailable property tax revenues are collected in subsequent years and are not available to pay for current-period expenditures and, therefore, are reported as a deferred revenue in the funds' balance sheet. 267,820

Accrued compensated absences are not due and payable with current financial resources, therefore, they are not reported in the funds' balance sheet. (292,377)

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.

Bonds payable	(3,125,000)	
Bond premium	(120,491)	
Accrued interest payable	<u>(7,640)</u>	
		<u>(3,253,131)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ 23,745,026**

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, 2014

	<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>
<u>REVENUES:</u>							
Property taxes	\$4,716,922	\$ -	\$ -	\$ -	\$ -	\$ 321,129	\$ 5,038,051
Transient room tax	317,921	-	92,710	-	103,660	73,820	588,111
911 tax	-	-	-	-	-	129,659	129,659
Franchise tax	409,002	-	-	-	-	-	409,002
Intergovernmental	488,321	983,349	-	-	-	-	1,471,670
Fees, licenses, and permits	4,655	-	-	-	-	-	4,655
Fines and forfeits	466,587	-	-	-	-	199,508	666,095
Investment interest	68,876	-	50,370	11,000	-	-	130,246
Charges for services	1,309,883	-	-	-	-	262,237	1,572,120
Grants and contributions	28,500	197,556	225,621	-	61,458	252,516	765,651
Miscellaneous	149,567	13,145	38,189	-	-	26,161	227,062
Total revenues	<u>7,960,234</u>	<u>1,194,050</u>	<u>406,890</u>	<u>11,000</u>	<u>165,118</u>	<u>1,265,030</u>	<u>11,002,322</u>
<u>EXPENDITURES:</u>							
Current:							
General government	1,885,004	-	82,375	-	-	190,266	2,157,645
Public safety	3,360,266	-	-	-	-	780,066	4,140,332
Highways and streets	-	623,400	110,146	-	-	-	733,546
Cultural and recreation	1,883,274	-	68,354	-	-	346,318	2,297,946
Debt service:							
Principal	-	-	-	-	-	135,000	135,000
Interest	-	-	-	-	-	96,085	96,085
Capital Outlay:							
General government	-	-	248,575	-	-	-	248,575
Public safety	136,773	12,699	-	-	-	-	149,472
Highways and streets	-	-	22,471	-	-	-	22,471
Cultural and recreation	-	-	-	-	61,458	551,491	612,949
Total expenditures	<u>7,265,317</u>	<u>636,099</u>	<u>531,921</u>	<u>-</u>	<u>61,458</u>	<u>2,099,226</u>	<u>10,594,021</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>							
	<u>694,917</u>	<u>557,951</u>	<u>(125,031)</u>	<u>11,000</u>	<u>103,660</u>	<u>(834,196)</u>	<u>408,301</u>
<u>OTHER FINANCING SOURCES (USES):</u>							
Change in joint venture fund balance							
	-	-	-	-	(195,218)	-	(195,218)
Transfers in	366,577	-	758,097	-	50,000	1,231,917	2,406,591
Transfers out	<u>(1,281,249)</u>	<u>(311,008)</u>	<u>(383,409)</u>	<u>-</u>	<u>-</u>	<u>(464,993)</u>	<u>(2,440,659)</u>
Total other financing sources (uses)	<u>(914,672)</u>	<u>(311,008)</u>	<u>374,688</u>	<u>-</u>	<u>(145,218)</u>	<u>766,924</u>	<u>(229,286)</u>
<u>NET CHANGE IN FUND BALANCES</u>							
	<u>(219,755)</u>	<u>246,943</u>	<u>249,657</u>	<u>11,000</u>	<u>(41,558)</u>	<u>(67,272)</u>	<u>179,015</u>
<u>FUND BALANCES, BEGINNING</u>	<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>
<u>PRIOR PERIOD ADJUSTMENT</u>	<u>55,775</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,775</u>
<u>FUND BALANCES, ENDING</u>	<u>\$4,707,234</u>	<u>\$ 753,109</u>	<u>\$4,500,805</u>	<u>\$ 88,874</u>	<u>\$ 1,501,658</u>	<u>\$ 1,556,722</u>	<u>\$ 13,108,402</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, 2014**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 179,015

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	\$ 972,009	
Less current year depreciation	<u>(836,577)</u>	135,432

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. 61,458

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. 96,861

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. 135,000

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. (76,903)

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		12,042
Accrued interest		1,005
Amortization of bond costs		<u>15,805</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 559,715**

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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<u>REVENUES:</u>				
Property taxes	\$ 4,375,000	\$ 4,375,000	\$ 4,716,922	\$ 341,922
Transient room tax	222,500	222,500	317,921	95,421
Franchise fees	693,400	693,400	775,579	82,179
Intergovernmental	313,000	331,000	488,321	157,321
Fees, licenses, and permits	3,750	3,750	4,655	905
Fines and forfeits	400,000	400,000	466,587	66,587
Investment interest	8,500	8,500	68,876	60,376
Charges for services	857,500	857,500	1,309,883	452,383
Grants and contributions	26,000	26,000	28,500	2,500
Miscellaneous	272,000	272,000	149,567	(122,433)
Total revenues	<u>7,171,650</u>	<u>7,189,650</u>	<u>8,326,811</u>	<u>1,137,161</u>
<u>EXPENDITURES:</u>				
Current:				
General government:				
Personal services	847,698	837,698	819,621	18,077
Materials and services	1,133,014	1,181,014	1,054,952	126,062
Public safety:				
Personal services	3,168,451	3,168,451	3,005,348	163,103
Materials and services	425,400	425,400	419,929	5,471
Culture and recreation:				
Personal services	1,526,061	1,526,061	1,438,067	87,994
Materials and services	444,279	444,279	445,207	(928)
Capital outlay	90,800	90,800	82,193	8,607
Total expenditures	<u>7,635,703</u>	<u>7,673,703</u>	<u>7,265,317</u>	<u>408,386</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(464,053)</u>	<u>(484,053)</u>	<u>1,061,494</u>	<u>1,545,547</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers out	(1,370,225)	(1,370,225)	(1,281,249)	88,976
Total other financing sources (uses)	<u>(1,370,225)</u>	<u>(1,370,225)</u>	<u>(1,281,249)</u>	<u>88,976</u>
<u>NET CHANGE IN FUND BALANCE</u>	<u>(1,834,278)</u>	<u>(1,854,278)</u>	<u>(219,755)</u>	<u>1,634,523</u>
<u>FUND BALANCES, BEGINNING</u>	<u>1,859,278</u>	<u>1,879,278</u>	<u>4,871,214</u>	<u>2,991,936</u>
<u>PRIOR PERIOD ADJUSTMENT</u>	<u>-</u>	<u>-</u>	<u>55,775</u>	<u>55,775</u>
<u>FUND BALANCES, ENDING</u>	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ 4,707,234</u>	<u>\$ 4,682,234</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<u>REVENUES:</u>				
Intergovernmental	<u>\$ 1,072,000</u>	<u>\$ 1,072,000</u>	<u>\$ 1,194,050</u>	<u>\$ 122,050</u>
<u>EXPENDITURES:</u>				
Current:				
Highways and streets:				
Personal services	<u>557,251</u>	<u>557,251</u>	<u>499,700</u>	<u>57,551</u>
Materials and services	<u>136,741</u>	<u>174,241</u>	<u>136,399</u>	<u>37,842</u>
Total expenditures	<u>693,992</u>	<u>731,492</u>	<u>636,099</u>	<u>95,393</u>
<u>DEFICIENCY OF REVENUES</u>				
<u>UNDER EXPENDITURES</u>	<u>378,008</u>	<u>340,508</u>	<u>557,951</u>	<u>217,443</u>
<u>OTHER FINANCING SOURCES</u>				
<u>(USES):</u>				
Transfers out	<u>(378,008)</u>	<u>(378,008)</u>	<u>(311,008)</u>	<u>67,000</u>
Total other financing sources (uses)	<u>(378,008)</u>	<u>(378,008)</u>	<u>(311,008)</u>	<u>67,000</u>
<u>NET CHANGE IN FUND BALANCES</u>	<u>-</u>	<u>(37,500)</u>	<u>246,943</u>	<u>284,443</u>
<u>FUND BALANCES, BEGINNING</u>	<u>-</u>	<u>37,500</u>	<u>506,166</u>	<u>468,666</u>
<u>FUND BALANCES, ENDING</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 753,109</u>	<u>\$ 753,109</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Taxes	\$ 64,000	\$ 64,000	\$ 92,710	\$ 28,710
Capital grants	10,000	280,000	225,621	(54,379)
Investment interest	-	-	50,370	50,370
System development charges	-	-	38,189	38,189
Total revenues	<u>74,000</u>	<u>344,000</u>	<u>406,890</u>	<u>62,890</u>
<u>EXPENDITURES:</u>				
Current:				
Highways and streets:				
Materials and services	256,041	256,041	179,217	76,824
Culture and recreation:				
Materials and services	135,000	135,000	66,798	68,202
Capital outlay	4,932,435	5,319,935	591,965	4,727,970
Total expenditures	<u>5,323,476</u>	<u>5,710,976</u>	<u>837,980</u>	<u>4,872,996</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>				
	<u>(5,249,476)</u>	<u>(5,366,976)</u>	<u>(431,090)</u>	<u>4,935,886</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers from:				
General Fund	99,750	99,750	99,750	-
Utility Fund	282,839	282,839	207,339	(75,500)
Street Fund	369,258	369,258	302,258	(67,000)
Energy Fund	19,750	19,750	19,750	-
Conference Center Fund	11,910	11,910	11,500	(410)
Special Reserve Fund	-	117,500	117,500	-
Transfers to:				
Recreation Fund	(77,350)	(77,350)	(77,350)	-
Total other financing sources (uses)	<u>706,157</u>	<u>823,657</u>	<u>680,747</u>	<u>(142,910)</u>
<u>NET CHANGE IN FUND BALANCE</u>				
	<u>(4,543,319)</u>	<u>(4,543,319)</u>	<u>249,657</u>	<u>4,792,976</u>
<u>FUND BALANCES, BEGINNING</u>				
	<u>4,543,319</u>	<u>4,543,319</u>	<u>4,251,148</u>	<u>(292,171)</u>
<u>FUND BALANCES, ENDING</u>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,500,805</u>	<u>\$ 4,500,805</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>	\$ -	\$ -	\$ 11,000	\$ 11,000
<u>EXPENDITURES:</u>				
Current:				
Economic development:				
Materials and services	-	-	-	-
<u>NET CHANGE IN FUND BALANCE</u>	-	-	11,000	11,000
<u>FUND BALANCES, BEGINNING</u>	-	-	77,874	77,874
<u>FUND BALANCES, ENDING</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,874</u>	<u>\$ 88,874</u>

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, 2014

	Business-Type Activities-Enterprise Funds					Totals
	Utility	Energy	Regional Water	WWTP Construction	Water and Sewer Bond	
<u>ASSETS</u>						
<u>CURRENT ASSETS:</u>						
Cash and cash equivalents	\$ 3,331,139	\$4,666,761	\$ 953,396	\$ -	\$ 409,810	\$ 9,361,106
Receivable from other proprietary fund	-	-	-	-	4,442,352	4,442,352
Accounts receivable	740,775	719,573	22,571	-	-	1,482,919
Allowance for doubtful accounts	(124,000)	(20,000)	-	-	-	(144,000)
Total current assets	<u>3,947,914</u>	<u>5,366,334</u>	<u>975,967</u>	<u>-</u>	<u>4,852,162</u>	<u>15,142,377</u>
<u>NONCURRENT ASSETS:</u>						
Capital assets, net	11,743,861	10,970,351	5,688,937	22,286,287	31,158	50,720,594
Total noncurrent assets	<u>11,743,861</u>	<u>10,970,351</u>	<u>5,688,937</u>	<u>22,286,287</u>	<u>31,158</u>	<u>50,720,594</u>
Total assets	<u>15,691,775</u>	<u>16,336,685</u>	<u>6,664,904</u>	<u>22,286,287</u>	<u>4,883,320</u>	<u>65,862,971</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>						
Deferred charge on refunding	-	69,509	-	-	-	69,509
<u>LIABILITIES</u>						
<u>CURRENT LIABILITIES:</u>						
Accounts payable	211,568	460,268	101,481	488,503	54,500	1,316,320
Payable to other proprietary fund	-	-	-	4,442,352	-	4,442,352
Accrued interest payable	42,039	134,059	39,344	299,433	31,158	546,033
Compensated absences payable	65,739	-	-	-	-	65,739
Deposits payable	7,400	170,018	-	-	-	177,418
Notes payable	7,380	-	-	-	-	7,380
Bonds payable	277,744	275,000	230,000	-	-	782,744
Total current liabilities	<u>611,870</u>	<u>1,039,345</u>	<u>370,825</u>	<u>5,230,288</u>	<u>85,658</u>	<u>7,337,986</u>
<u>NONCURRENT LIABILITIES:</u>						
Compensated absences payable	16,435	-	-	-	-	16,435
Notes payable	42,806	-	-	16,181,370	-	16,224,176
Bonds payable	596,727	11,693,971	2,629,036	-	4,989,200	19,908,934
Total long-term liabilities	<u>655,968</u>	<u>11,693,971</u>	<u>2,629,036</u>	<u>16,181,370</u>	<u>4,989,200</u>	<u>36,149,545</u>
Total liabilities	<u>1,267,838</u>	<u>12,733,316</u>	<u>2,999,861</u>	<u>21,411,658</u>	<u>5,074,858</u>	<u>43,487,531</u>
<u>NET POSITION</u>						
Net invested in capital assets	10,819,204	(998,620)	2,829,901	6,104,917	(4,958,042)	13,797,360
Unrestricted	3,604,733	4,671,498	835,142	(5,230,288)	4,766,504	8,647,589
Total net position	<u>\$ 14,423,937</u>	<u>\$3,672,878</u>	<u>\$3,665,043</u>	<u>\$ 874,629</u>	<u>\$ (191,538)</u>	<u>\$ 22,444,949</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, 2014

	Business-Type Activities - Enterprise Funds					Totals
	Utility	Energy	Regional Water	WWTP Construction	Water and Sewer Bond	
<u>OPERATING REVENUE:</u>						
Charges for sales and services:						
Pledged as security for revenue bonds:						
Electricity	\$ -	\$ 7,363,082	\$ -	\$ -	\$ -	\$ 7,363,082
Water	2,426,090	-	-	-	-	2,426,090
Sewer	1,925,266	-	-	-	-	1,925,266
Miscellaneous revenues	18,959	198,957	-	-	-	217,916
Unpledged:						
Water	-	-	639,267	-	-	639,267
Total operating revenue	<u>4,370,315</u>	<u>7,562,039</u>	<u>639,267</u>	<u>-</u>	<u>-</u>	<u>12,571,621</u>
<u>OPERATING EXPENSES:</u>						
Cost of sales and services:						
Electricity	-	6,439,942	-	-	-	6,439,942
Water	1,760,010	-	609,876	-	-	2,369,886
Sewer	1,492,015	-	-	-	-	1,492,015
Depreciation and amortization	449,078	485,124	176,033	-	-	1,110,235
Total operating expenses	<u>3,701,103</u>	<u>6,925,066</u>	<u>785,909</u>	<u>-</u>	<u>-</u>	<u>11,412,078</u>
<u>OPERATING INCOME (LOSS)</u>	<u>669,212</u>	<u>636,973</u>	<u>(146,642)</u>	<u>-</u>	<u>-</u>	<u>1,159,543</u>
<u>NONOPERATING REVENUES</u>						
<u>(EXPENSES):</u>						
Interest on investments	7,235	33,360	-	-	-	40,595
Bond Issue Costs	-	-	-	-	(191,538)	(191,538)
Interest expense	(46,708)	(559,489)	(73,474)	-	-	(679,671)
Total nonoperating revenue (expenses)	<u>(39,473)</u>	<u>(526,129)</u>	<u>(73,474)</u>	<u>-</u>	<u>(191,538)</u>	<u>(830,614)</u>
<u>INCOME (DEFICIT) BEFORE TRANSFERS</u>	<u>629,739</u>	<u>110,844</u>	<u>(220,116)</u>	<u>-</u>	<u>(191,538)</u>	<u>328,929</u>
Transfers in	136,393	158,259	333,082	-	-	627,734
Transfers out	(207,339)	(386,327)	-	-	-	(593,666)
Total transfers	<u>(70,946)</u>	<u>(228,068)</u>	<u>333,082</u>	<u>-</u>	<u>-</u>	<u>34,068</u>
<u>CHANGE IN NET POSITION</u>	<u>558,793</u>	<u>(117,224)</u>	<u>112,966</u>	<u>-</u>	<u>(191,538)</u>	<u>362,997</u>
<u>TOTAL NET POSITION - BEGINNING</u>	<u>13,922,635</u>	<u>3,968,904</u>	<u>3,682,431</u>	<u>874,629</u>	<u>-</u>	<u>22,448,599</u>
<u>PRIOR PERIOD ADJUSTMENT</u>	<u>(57,491)</u>	<u>(178,802)</u>	<u>(130,354)</u>	<u>-</u>	<u>-</u>	<u>(366,647)</u>
<u>TOTAL NET POSITION - ENDING</u>	<u>\$ 14,423,937</u>	<u>\$ 3,672,878</u>	<u>\$ 3,665,043</u>	<u>\$ 874,629</u>	<u>\$ (191,538)</u>	<u>\$ 22,444,949</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, 2014

	Business-Type Activities - Enterprise Funds					Totals
	Utility	Energy	Regional Water	WWTP Construction	Water and Sewer Bond	
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>						
Receipts from customers	\$ 4,356,277	\$ 7,524,794	\$ 658,548	\$ -	\$ -	\$ 12,539,619
Payments to suppliers	(1,188,959)	(6,198,145)	(372,696)	-	-	(7,759,800)
Payments to employees	(2,004,783)	(250,015)	(148,570)	-	-	(2,403,368)
Net cash provided by operating activities	<u>1,162,535</u>	<u>1,076,634</u>	<u>137,282</u>	<u>-</u>	<u>-</u>	<u>2,376,451</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>						
Transfer from other funds	136,393	158,259	333,082	-	-	627,734
Transfer to other funds	(207,339)	(386,327)	-	-	-	(593,666)
Change in loans payable to (from) other funds	<u>2,141,783</u>	<u>-</u>	<u>-</u>	<u>2,300,569</u>	<u>(4,442,352)</u>	<u>-</u>
Net cash provided by (used in) noncapital financing activities	<u>2,070,837</u>	<u>(228,068)</u>	<u>333,082</u>	<u>2,300,569</u>	<u>(4,442,352)</u>	<u>34,068</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>						
Acquisition and construction of capital assets	(62,343)	(451,526)	-	(14,279,286)	-	(14,793,155)
Proceeds from bonds and notes	-	-	-	11,978,717	4,852,162	16,830,879
Interest paid on bonds and notes	(49,647)	(541,115)	(96,675)	-	-	(687,437)
Principal paid on bonds and notes	(273,820)	(250,000)	(225,000)	-	-	(748,820)
Net cash provided by (used in) capital and related financing activities	<u>(385,810)</u>	<u>(1,242,641)</u>	<u>(321,675)</u>	<u>(2,300,569)</u>	<u>4,852,162</u>	<u>601,467</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>						
Interest received	<u>7,235</u>	<u>33,360</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,595</u>
<u>NET INCREASE (DECREASE) IN CASH</u>	<u>2,854,797</u>	<u>(360,715)</u>	<u>148,689</u>	<u>-</u>	<u>409,810</u>	<u>2,642,771</u>
<u>CASH AND CASH EQUIVALENTS, BEGINNING</u>						
	<u>529,966</u>	<u>5,027,476</u>	<u>889,661</u>	<u>-</u>	<u>-</u>	<u>6,447,103</u>
<u>PRIOR PERIOD ADJUSTMENT</u>						
	<u>(53,624)</u>	<u>-</u>	<u>(84,954)</u>	<u>-</u>	<u>-</u>	<u>(138,578)</u>
<u>CASH AND CASH EQUIVALENTS, ENDING</u>						
	<u>\$ 3,331,139</u>	<u>\$ 4,666,761</u>	<u>\$ 953,396</u>	<u>\$ -</u>	<u>\$ 409,810</u>	<u>\$ 9,361,106</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>						
Operating income (loss)	\$ 669,212	\$ 636,973	\$ (146,642)	\$ -	\$ -	\$ 1,159,543
<u>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>						
Depreciation and amortization	449,078	485,124	176,033	-	-	1,110,235
Change in assets and liabilities:						
Accounts receivable	(14,038)	(37,245)	8,556	-	-	(42,727)
Accounts payable and accrued expenses	58,283	(8,218)	99,335	-	-	149,400
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>\$ 1,162,535</u>	<u>\$ 1,076,634</u>	<u>\$ 137,282</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,376,451</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, 2014

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, 2014

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, 2014

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.

2014 Water and Sewer Revenue Bond Fund:

The 2014 Water and Sewer Revenue Bond Fund is used to account for construction activities financed from proceeds of the 2014 Water and Sewer Revenue Bonds. 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, 2014

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 \$975,280 in the proprietary funds. Of this amount, \$295,609 was included in the cost of capital assets under construction and \$679,671 was expensed.

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

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.

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2014

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, 2014

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. 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, 2014

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

O. 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.

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

	<u>Utility Fund</u>	<u>Energy Fund</u>
Current assets	\$ 3,947,914	\$ 5,366,334
Current liabilities	611,870	1,039,345
Working capital	<u>\$ 3,336,044</u>	<u>\$ 4,326,989</u>
45 days operating expenses	<u>\$ 456,300</u>	<u>\$ 853,775</u>

Fund balances by classification for the year ended June 30, 2014 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	\$ -	\$ -	\$ -	\$ -	\$ 1,501,658	\$ -	\$ 1,501,658
Prepays and deposits	-	-	-	-	-	-	-
Total nonspendable	-	-	-	-	1,501,658	-	1,501,658
Restricted:							
Debt service	-	-	-	-	-	316,336	316,336
Culture and recreation	-	-	162,647	-	-	120,721	283,368
Highways and streets	-	603,109	127,597	-	-	-	730,706
Utility system development	-	-	362,019	-	-	-	362,019
Public safety	-	-	-	-	-	29,000	29,000
Total restricted	-	603,109	652,263	-	-	466,057	1,721,429

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2014

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

O. Fund Balance (continued)

	General	State tax Street Fund	Reserve Fund	Revolving Loan Fund	EOTEC Construction Fund	Other Governmental Funds	Total Governmental Funds
Fund balances							
Committed:							
Culture and recreation	-	-	-	-	-	383,267	383,267
Highways and streets	-	150,000	20,102	-	-	-	170,102
Community development	-	-	445,184	88,874	-	32,091	566,149
Utility systems	-	-	3,249,059	-	-	-	3,249,059
Public safety	-	-	-	-	-	157,006	157,006
Insurance	-	-	-	-	-	476,338	476,338
Other reserves	-	-	134,197	-	-	41,963	176,160
Total committed	-	150,000	3,848,542	88,874	-	1,090,665	5,178,081
Assigned:							
Employee benefits	200,000	-	-	-	-	-	200,000
Unappropriated ending fund balance	1,302,800	-	-	-	-	-	1,302,800
Total assigned	1,502,800	-	-	-	-	-	1,502,800
Unassigned	3,204,434	-	-	-	-	-	3,204,434
Ending fund balances	\$ 4,707,234	\$ 753,109	\$ 4,500,805	\$ 88,874	\$ 1,501,658	\$ 1,556,722	\$ 13,108,402

\$730,706 is restricted for highways and streets and \$164,180 is restricted for culture and recreation by enabling legislation.

P. 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, 2014 were as follows:

	General	State Tax Street Fund	Reserve Fund	Revolving Loan Fund	Revolving Loan Fund	Other Governmental Funds	Total Governmental Funds
Equipment Repairs	\$ 1,760	\$ -	\$ 32,733	\$ -	\$ -	\$ -	\$ 34,493

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 funds are adopted in accordance with the modified accrual basis of accounting and accrual basis of accounting as described in Note 1, except proprietary funds budget capital outlay and debt service as current expenditures similar to governmental funds. In the financial statements, proprietary funds are reported on the accrual basis of accounting described in Note 1. Accordingly, a Reconciliation of GAAP Basis Revenues, Expenditures and Fund Equity to Budgetary Basis Revenues, Expenditures and Fund Equity is provided in the Supplementary Information section.

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2014

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgets and budgetary accounting (continued):

- b. Prior to July 1, 2013, the City used a modified cash receipts and disbursements basis of budgetary accounting that required significant adjustments to reconcile to accounting principles generally accepted in the United States of America. To simplify management and reporting, the City changed to the budgetary basis of accounting described in the previous paragraph. Accordingly, beginning budgetary basis fund balances at July 1, 2013 have been restated. Governmental funds have been restated to agree to the fund financial statements and proprietary funds have been restated as follows:

	<u>Utility Fund</u>	<u>Energy Fund</u>	<u>Regional Water Fund</u>	<u>WWTP Construction Fund</u>
Beginning fund balance	\$ 2,638,991	\$ 4,405,314	\$ 876,790	\$ (3,452,607)
Accounts receivable	602,737	662,328	41,852	-
Amounts due to other entities	(142,754)	-	-	-
Accrued interest	-	-	-	34,982
Unearned investment gains	-	(16,342)	-	-
Compensated absences balance	(67,346)	-	-	-
	<u>\$ 3,031,628</u>	<u>\$ 5,051,300</u>	<u>\$ 918,642</u>	<u>\$ (3,417,625)</u>

- c. 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.
- d. 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.
- e. 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.

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2014

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

A. Budgets and budgetary accounting (continued) :

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.
 - 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 \$894,850.
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, 2014:

Recreation Reserve Fund:

Materials and services	<u>\$ 983</u>
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Although the 2014 Water & Sewer Revenue Bond Fund reports a negative variance in materials and services, it is not overexpended because unbudgeted expenditures of proceeds from the sale of revenue bonds may be made during the current year without a supplemental budget.

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2014

NOTE 3 – CASH AND INVESTMENTS:

Cash:

Cash on hand	\$ 1,510
Demand deposits, Banner Bank	1,198,344
Demand deposits, U.S. National Bank	<u>9,680,666</u>
Cash subtotal	<u>10,880,520</u>

Investments:

		Percentage of Total Investments	Weighted Average Maturity Years
U.S. Government agency bonds:			
Federal Home Loan Bank	992,119	6.2%	3.58
Federal Farm Credit Bank	1,999,816	12.5%	3.95
Federal National Mortgage Association	2,996,160	18.7%	2.93
Federal Home Loan Mortgage Corporation	1,977,808	12.3%	3.62
U.S. Government agency securities:			
FICO STRIP	1,043,339	6.5%	2.37
Oregon Local Government Investment Pool	<u>7,036,443</u>	<u>43.9%</u>	0.00
Investments Subtotal	<u>16,045,685</u>	<u>100.0%</u>	
Total cash and investments	<u>\$ 26,926,205</u>		

Portfolio weighted average maturity 1.87

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, 2014, the total bank balance was \$11,665,990. 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, 2014

NOTE 3 – CASH AND INVESTMENTS (continued):

Interest Rate Risk – Investments

As of June 30, 2014, the City's weighted average maturity of its investment portfolio was 1.87 years. The City invests in short-term corporate and U.S. Government securities. These securities will be redeemed for full value at maturity.

Credit Risk – Investments

The City invests in securities of U.S. Government sponsored enterprises. U.S. Government agency securities are not rated. Securities of U.S. Government sponsored enterprises are not explicitly backed by the full faith and credit of the U.S. Government, but they have implied government backing and an implied AAA rating. The Local Government Investment Pool's credit risk is not rated.

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, 2014, the City's \$9,009,242 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 adopted the following investment policy to address the risks listed above:

Permitted investments include: US Treasury obligations, US agency obligations, the Oregon Short Term Fund, bank time deposits and savings accounts.

All bank demand deposits and time deposits shall be held in qualified Oregon depositories in accordance with ORS 295.

The maximum portfolio average maturity shall be three years.

NOTE 4 – CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 2,364,629	\$ -	\$ -	\$ 2,364,629
Construction in progress	-	51,585	-	51,585
Total capital assets not being depreciated	<u>2,364,629</u>	<u>51,585</u>	<u>-</u>	<u>2,416,214</u>

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2014

NOTE 4 – CAPITAL ASSETS (continued):

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014
<u>Governmental Activities (continued):</u>				
Capital assets being depreciated:				
Buildings and improvements	12,301,923	802,942	-	13,104,865
Machinery and equipment	2,454,468	95,011	(31,006)	2,518,473
Street system	15,473,730	22,471	-	15,496,201
Total capital assets being depreciated	<u>30,230,121</u>	<u>920,424</u>	<u>(31,006)</u>	<u>31,119,539</u>
Less: Accumulated depreciation:				
Buildings and improvements	(7,068,111)	(340,927)	-	(7,409,038)
Machinery and equipment	(2,014,690)	(139,952)	31,006	(2,123,636)
Street system	(10,538,049)	(355,698)	-	(10,893,747)
Total accumulated depreciation	<u>(19,620,850)</u>	<u>(836,577)</u>	<u>31,006</u>	<u>(20,426,421)</u>
Total capital assets being depreciated, net	<u>10,609,271</u>	<u>83,847</u>	<u>-</u>	<u>10,693,118</u>
Governmental activities capital assets, net	<u>\$ 12,973,900</u>	<u>\$ 135,432</u>	<u>\$ -</u>	<u>\$ 13,109,332</u>
<u>Business-type Activities:</u>				
Capital assets not being depreciated:				
Land and easements	\$ 1,072,808	\$ -	\$ -	\$ 1,072,808
Construction in progress	9,174,144	13,798,281	-	22,972,425
Total capital assets not being depreciated	<u>10,246,952</u>	<u>13,798,281</u>	<u>-</u>	<u>24,045,233</u>
Capital assets being depreciated:				
Utility system and buildings	35,709,149	46,600	-	35,755,749
Electric system	15,996,495	451,526	-	16,448,021
Equipment and vehicles	1,011,970	5,019	-	1,016,989
Total capital assets being depreciated	52,717,614	503,145	-	53,220,759

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2014

NOTE 4 – CAPITAL ASSETS (continued):

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014
<u>Business-type Activities (continued):</u>				
Less: Accumulated depreciation:				
Utility system and buildings	(19,608,462)	(579,692)	-	(20,188,154)
Electric system	(4,992,545)	(485,124)	-	(5,477,669)
Equipment and vehicles	(834,156)	(45,419)	-	(879,575)
Total accumulated depreciation	<u>(25,435,163)</u>	<u>(1,110,235)</u>	<u>-</u>	<u>(26,545,398)</u>
Total capital assets being depreciated, net	<u>27,282,451</u>	<u>(607,090)</u>	<u>-</u>	<u>26,675,361</u>
Business-type activities capital assets, net	<u>\$ 37,529,403</u>	<u>\$ 13,191,191</u>	<u>\$ -</u>	<u>\$ 50,720,594</u>

Depreciation was charged to functions and programs as follows:

Governmental Activities:	
General government	\$ 77,555
Public safety	77,877
Highways and streets	404,222
Cultural and recreation	276,923
Total depreciation expense of governmental activities	<u>\$ 836,577</u>
Business-type activities:	
Water	\$ 292,796
Sewer	156,282
Electricity	485,124
Regional Water	176,033
Total depreciation expense of business-type activities	<u>\$ 1,110,235</u>

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2014

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.

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, 2014

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.

In April 2014, the City issued Water and Sewer Revenue Bonds valued at \$4,715,000 to provide resources to construct a wastewater treatment and recycled water plant.

Bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities:		
2013 Pool Bonds	0.45% - 4.00%	\$ 3,125,000
Business-type activities:		
2005 Electric System Revenue Bonds	3.35%-4.60%	12,055,000
2007 Refunding Utility Bonds	4.10%	874,471
2011 Refunding Water Bonds	2.0% - 4.0%	2,750,000
2014 Water & Sewer Revenue Bonds	4.0% - 5.0%	<u>4,715,000</u>
Gross amount of bonds		23,519,471
Unamortized premiums		503,727
Unamortized discounts		<u>(86,029)</u>
Total bonds		<u><u>\$ 23,937,169</u></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>
2015	\$ 100,000	\$ 91,399	\$ 782,744	\$ 852,340
2016	100,000	90,749	833,314	830,602
2017	100,000	89,924	873,413	799,148
2018	110,000	88,896	740,000	762,958
2019	110,000	86,669	780,000	734,589
2020-2024	690,000	364,895	4,700,000	3,128,716
2025-2029	980,000	223,344	4,770,000	2,085,478
2030-2034	935,000	60,545	5,195,000	883,564
2035-2039	-	-	1,405,000	191,200
2040-2044	-	-	<u>315,000</u>	<u>6,300</u>
Totals	<u><u>\$ 3,125,000</u></u>	<u><u>\$ 1,096,421</u></u>	<u><u>\$ 20,394,471</u></u>	<u><u>\$ 10,274,895</u></u>

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2014

NOTE 6 – LONG-TERM DEBT (continued):

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.

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. Annual debt service requirements below are based upon a preliminary repayment schedule required by the loan agreement.

The City borrowed \$12,134,042 of the \$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. 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%	\$ 50,186
Oregon Dept. of Environmental Quality	2.83%	4,047,328
Oregon Dept. of Environmental Quality	2.65%	12,134,042
Total Business-type activities		<u>\$ 16,231,556</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>
2015	\$ 7,380	\$ 832,936
2016	975,060	1,018,268
2017	1,001,537	949,457
2018	1,028,740	878,791
2019	1,056,685	806,223
2020-2024	5,687,510	2,875,295
2025-2029	5,100,786	849,386
2030-2034	1,239,993	139,772
2035-2039	133,865	2,563
Totals	<u>\$ 16,231,556</u>	<u>\$ 8,352,691</u>

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2014

NOTE 6 – LONG-TERM DEBT (continued):

Changes in long-term debt:

Long-term liability activity for the year ended June 30, 2014 was as follows:

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014	Due Within One Year
Government Activities:					
2003 Pool Bonds	\$ 65,000	\$ -	\$ (65,000)	\$ -	\$ -
2013 Pool Bonds	3,195,000	-	(70,000)	3,125,000	100,000
Total bonds	<u>3,260,000</u>	<u>-</u>	<u>(135,000)</u>	<u>3,125,000</u>	<u>100,000</u>
Compensated absences	304,419	361,250	(373,292)	292,377	233,902
Total Governmental Activities	<u>\$ 3,564,419</u>	<u>\$ 361,250</u>	<u>\$ (508,292)</u>	<u>\$ 3,417,377</u>	<u>\$ 333,902</u>
Business-Type Activities:					
2005 Electric Revenue Bonds	\$ 12,305,000	\$ -	\$ (250,000)	\$ 12,055,000	\$ 275,000
2007 Refunding Utility Bonds	1,141,262	-	(266,791)	874,471	277,744
2011 Refunding Water Bonds	2,975,000	-	(225,000)	2,750,000	230,000
2014 Sewer and Water Bonds	-	4,715,000	-	4,715,000	-
Total bonds	<u>16,421,262</u>	<u>4,715,000</u>	<u>(741,791)</u>	<u>20,394,471</u>	<u>782,744</u>
Notes Payable:					
Business Oregon	57,216	-	(7,030)	50,186	7,380
Oregon Dept. of Environmental Quality	4,202,653	11,978,717	-	16,181,370	-
Total notes	<u>4,259,869</u>	<u>11,978,717</u>	<u>(7,030)</u>	<u>16,231,556</u>	<u>7,380</u>
Compensated absences	67,346	94,461	(79,633)	82,174	65,739
Total Business-type Activities	<u>\$ 20,748,477</u>	<u>\$ 16,788,178</u>	<u>\$ (828,454)</u>	<u>\$ 36,708,201</u>	<u>\$ 855,863</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, 2014

NOTE 8 - INTERFUND TRANSACTIONS:

Interfund transfers:

Transfer Out:	Transfer In:						Total Transfers Out	
	General	Reserve	EOTEC Construction	Utility	Energy	Regional Water		Nonmajor Governmental
General	\$ -	\$ 99,750	\$ 50,000	\$ -	\$ -	\$ -	\$ 1,131,499	\$ 1,281,249
Street Fund	-	302,258	-	-	-	-	8,750	311,008
Reserve	-	-	-	136,393	158,259	11,407	77,350	383,409
Utility	-	207,339	-	-	-	-	-	207,339
Energy	366,577	19,750	-	-	-	-	-	386,327
Non-major governmental	-	129,000	-	-	-	321,675	-	450,675
Total Transfers in	\$ 366,577	\$ 758,097	\$ 50,000	\$ 136,393	\$ 158,259	\$ 333,082	\$ 1,217,599	\$ 3,020,007

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

Net transfers from business-type activities:

Transfers in:

Utility	\$ 136,393
Energy	158,259
Regional water fund	333,082

Transfers out:

Utility	(207,339)
Energy fund	(386,327)

\$ 34,068

Net transfers to governmental activities:

Transfers in:

General fund	\$ 366,577
Reserve fund	758,097
EOTEC	50,000
Non-major governmental funds	1,217,599

Transfer out:

General fund	(1,281,249)
Street fund	(311,008)
Reserve fund	(383,409)
Non-major governmental funds	(450,675)

\$ (34,068)

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2014

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 and repairs are made by the Reserve Fund. The City budgets these expenditures as capital outlay, but the fund financial statements report them as transfers.

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, 2014

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	\$ 983,349
Oregon State liquor and cigarette taxes	282,047
Oregon State revenue sharing	206,274
Total	<u>\$ 1,471,670</u>

NOTE 11 – 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 12 – 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).

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2014

NOTE 12 – DEFINED BENEFIT PENSION PLAN:

A. Plan Description (continued)

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.

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 2014, the City's annual pension cost of \$1,118,587 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2013 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) 7.75% investment return compounded annually on member's regular account balances and 7.75% compounded annually on member's variable account balances; (b) future general wage inflation of 3.75% per year; (c) healthcare cost inflation graded from 6.1% in 2014 to 4.7% in 2083; (d) consumer price inflation of 2.75% per year.

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 977,574	100%	\$ -
2013	1,053,426	100%	-
2014	1,118,587	100%	-

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2014

NOTE 13 -- POSTEMPLOYMENT HEALTH INSURANCE PLAN:

Retirement Health Insurance Account (RHIA)

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

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

Participating governments are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.59% 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, 2014, 2013 and 2012 were \$32,133, \$31,203 and \$27,902, which equaled the required contributions each year.

NOTE 14 – JOINT VENTURE:

In March 2012, the City entered into an intergovernmental agreement with Umatilla County establishing the Eastern Oregon Trade and Event Center Authority, an Oregon municipal corporation, to acquire, construct, own, manage and operate the Eastern Oregon Trade and Event Center. The City contributed land and infrastructure totaling \$1.3 million in 2013. 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.

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2014

NOTE 14 – JOINT VENTURE (continued):

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 equity interest represents both current financial resources and capital assets, it is inappropriate to report the entire equity interest as an asset in the governmental funds. 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.

	Current Financial Resources Reported in the Governmental Funds	Non-current Financial Resources such as Capital Assets and Long-term Liabilities	All Assets and Liabilities Reported in the Government-wide Financial Statements
Beginning balance	\$ 1,543,216	\$ 646,661	\$ 2,189,877
City of Hermiston contributions	153,660	61,458	215,118
Change in joint venture equity interest	(195,218)	96,861	(98,357)
Ending balance	<u>\$ 1,501,658</u>	<u>\$ 804,980</u>	<u>\$ 2,306,638</u>

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 15 – PRIOR PERIOD ADJUSTMENT:

The City made several prior period adjustment during the year. The City decreased government-wide net position by \$420,578, because GASB 65 requires debt issuance costs to be expensed in the year incurred. GASB 65 implementation is required for reporting periods ending on or after December 31, 2013. Additionally, the City adjusted governmental fund balance and proprietary fund net position to include an unrecorded receivable and payable, both of which accrued before June 30, 2013 and were unexpected by the City.

	Governmental Funds	Proprietary Funds	Reconciling Items	Government-wide Financial Statements
Balance as previously reported at June 30, 2013	\$ 12,873,612	\$ 22,448,599	\$ 10,448,433	\$ 45,770,644
Unrecorded receivable	105,000	-	-	105,000
Unrecorded payable	(49,225)	(138,578)	-	(187,803)
Prior-year bond issuance costs	-	(228,069)	(192,509)	(420,578)
Balance as adjusted at June 30, 2013	<u>\$ 12,929,387</u>	<u>\$ 22,081,952</u>	<u>\$ 10,255,924</u>	<u>\$ 45,267,263</u>

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2014

NOTE 16 – SUBSEQUENT EVENTS:

The City is upgrading its recycled water treatment plant. The estimated total cost of this multi-year project is \$27,100,000. The Oregon Department of Environmental Quality (DEQ) is providing \$23.6 million of this with the remainder of the funding being provided by revenue bonds the City issued in May 2014. Construction on the project is 97% complete and is on schedule to be completed in December 2014. The Outfall portion of the project has been bid out and awarded to R&G Excavating in the amount of \$1,075,167. Construction is expected to begin in late November or early December 2014. The “in-water” portion of the work will be done during the summer of 2015 with project completion also expected in the summer of 2015.

The City Council has approved a plan to increase utility rates to support the additional costs of constructing and operating the wastewater recycling plant. Water and sewer rates will increase in 4% increments on: July 1, 2014, January 1, 2015, and July 1, 2015.

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. A \$608,903 contract for site preparation was awarded in October 2014.

The City formed the Hermiston Urban Renewal Agency. The Agency had no activity during the year ended June 30, 2014. The City expects to include the Agency as a blended component unit in its Comprehensive Annual Financial Report for the year ended June 30, 2015.

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, 2014

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, 2014

	Transient Room Tax Fund	Recreation Reserve Fund	Municipal Court Fund	Recorder's Reserve Fund	Special Revenue Conference Center Fund	911 Communications Fund	Law Enforcement Reserve Fund	Library Reserve Fund	Debt Service Bonded Debt Fund	Total Non-major Governmental Funds
<u>ASSETS:</u>										
Cash and investments	\$ 55,841	\$ 194,893	\$ 33,016	\$ 599,726	\$ 57,912	\$ 123,045	\$ 71,635	\$ 53,367	\$ 312,026	\$ 1,501,461
Receivables (net of allowances for uncollectible):										
Property taxes	-	-	-	-	-	-	-	-	21,548	21,548
Intergovernmental and other	-	154,200	-	-	-	9,774	-	-	-	163,974
Total assets	<u>\$ 55,841</u>	<u>\$ 349,093</u>	<u>\$ 33,016</u>	<u>\$ 599,726</u>	<u>\$ 57,912</u>	<u>\$ 132,819</u>	<u>\$ 71,635</u>	<u>\$ 53,367</u>	<u>\$ 333,574</u>	<u>\$ 1,686,983</u>
<u>LIABILITIES AND FUND BALANCES</u>										
<u>LIABILITIES:</u>										
Accounts payable	\$ -	\$ 5,625	\$ 16,614	\$ 49,334	\$ 6,600	\$ -	\$ -	\$ -	\$ -	\$ 78,173
Unearned revenues	-	-	-	-	-	-	34,850	-	-	34,850
Total liabilities	<u>-</u>	<u>5,625</u>	<u>16,614</u>	<u>49,334</u>	<u>6,600</u>	<u>-</u>	<u>34,850</u>	<u>-</u>	<u>-</u>	<u>113,023</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>										
Unavailable revenues-property taxes	-	-	-	-	-	-	-	-	17,238	17,238
<u>FUND BALANCES:</u>										
Restricted	55,841	52,362	-	-	-	-	29,000	12,518	316,336	466,057
Committed	-	291,106	16,402	550,392	51,312	132,819	7,785	40,849	-	1,090,665
Total fund balances	<u>55,841</u>	<u>343,468</u>	<u>16,402</u>	<u>550,392</u>	<u>51,312</u>	<u>132,819</u>	<u>36,785</u>	<u>53,367</u>	<u>316,336</u>	<u>1,556,722</u>
Total liabilities and fund balances	<u>\$ 55,841</u>	<u>\$ 349,093</u>	<u>\$ 33,016</u>	<u>\$ 599,726</u>	<u>\$ 57,912</u>	<u>\$ 132,819</u>	<u>\$ 71,635</u>	<u>\$ 53,367</u>	<u>\$ 333,574</u>	<u>\$ 1,686,983</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, 2014

	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
<u>REVENUES:</u>										
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 321,129	\$ 321,129
Transient room tax	73,820	-	-	-	-	-	-	-	-	73,820
911 Tax	-	-	-	-	-	129,659	-	-	-	129,659
Fines and forfeits	-	-	184,965	-	-	-	-	14,543	-	199,508
Charges for services	-	73,812	-	83,865	104,060	-	-	500	-	262,237
Grants and contributions	-	215,370	-	-	-	-	28,529	8,617	-	252,516
Miscellaneous	-	19,200	-	-	4,829	-	2	2,076	54	26,161
Total revenues	<u>73,820</u>	<u>308,382</u>	<u>184,965</u>	<u>83,865</u>	<u>108,889</u>	<u>129,659</u>	<u>28,531</u>	<u>25,736</u>	<u>321,183</u>	<u>1,265,030</u>
<u>EXPENDITURES:</u>										
Current:										
General government	-	-	171,816	18,450	-	-	-	-	-	190,266
Public safety	-	-	-	-	-	738,464	41,602	-	-	780,066
Cultural and recreation	101,866	108,342	-	-	104,972	-	-	31,138	-	346,318
Capital Outlay:										
Cultural and recreation	-	551,491	-	-	-	-	-	-	-	551,491
Debt service:										
Principal	-	-	-	-	-	-	-	-	135,000	135,000
Interest	-	-	-	-	-	-	-	-	96,085	96,085
Total expenditures	<u>101,866</u>	<u>659,833</u>	<u>171,816</u>	<u>18,450</u>	<u>104,972</u>	<u>738,464</u>	<u>41,602</u>	<u>31,138</u>	<u>231,085</u>	<u>2,099,226</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(28,046)</u>	<u>(351,451)</u>	<u>13,149</u>	<u>65,415</u>	<u>3,917</u>	<u>(608,805)</u>	<u>(13,071)</u>	<u>(5,402)</u>	<u>90,098</u>	<u>(834,196)</u>
<u>OTHER FINANCING SOURCES (USES):</u>										
Transfers in	-	283,657	-	-	-	703,705	10,661	-	233,894	1,231,917
Transfers out	-	-	(14,318)	(117,500)	(11,500)	-	-	-	(321,675)	(464,993)
Total other financing sources (uses)	<u>-</u>	<u>283,657</u>	<u>(14,318)</u>	<u>(117,500)</u>	<u>(11,500)</u>	<u>703,705</u>	<u>10,661</u>	<u>-</u>	<u>(87,781)</u>	<u>766,924</u>
<u>NET CHANGE IN FUND BALANCES</u>	<u>(28,046)</u>	<u>(67,794)</u>	<u>(1,169)</u>	<u>(52,085)</u>	<u>(7,583)</u>	<u>94,900</u>	<u>(2,410)</u>	<u>(5,402)</u>	<u>2,317</u>	<u>(67,272)</u>
<u>FUND BALANCES, BEGINNING</u>	<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>
<u>FUND BALANCES, ENDING</u>	<u>\$ 55,841</u>	<u>\$ 343,468</u>	<u>\$ 16,402</u>	<u>\$ 550,392</u>	<u>\$ 51,312</u>	<u>\$ 132,819</u>	<u>\$ 36,785</u>	<u>\$ 53,367</u>	<u>\$ 316,336</u>	<u>\$ 1,556,722</u>

CITY OF HERMISTON, OREGON

Reserve Fund

Schedule of Detail Allocations

For the Year Ended June 30, 2014

City Ordinances have established specific allocations of the Reserve Fund. The following schedule presents the allocations of the 2013-14 transactions to their specified purposes.

	<u>Balance</u> <u>June 30, 2013</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Transfers</u> <u>In (Out)</u>	<u>Balance</u> <u>June 30, 2014</u>
<u>ALLOCATIONS:</u>					
Office equipment, finance	\$ 61	\$ -	\$ 110,828	\$ 190,531	\$ 79,764
Airport improvements	9,685	225,621	220,122	80,000	95,184
Park improvements	(1,457)	-	-	1,457	-
Recreation programs	67,565	92,710	51,936	-	108,339
Parks development	34,241	-	14,862	(1,457)	17,922
Pioneer Hi-bred	350,000	-	-	-	350,000
Street equipment	10,482	-	-	89,217	99,699
Bicycle trails	77,452	-	-	(57,350)	20,102
Street maintenance	(99,870)	-	132,617	142,441	(90,046)
Street construction	117,944	-	-	-	117,944
Utility construction	1,658,095	-	-	99,311	1,757,406
Sewer department equipment	22,017	-	-	719	22,736
Water department equipment	22,906	-	-	(21,984)	922
Wastewater treatment plant	376	-	-	-	376
HES improvements	1,171,496	-	-	(158,259)	1,013,237
Regional water system	465,789	-	-	(11,407)	454,382
Wastewater-SDC	27,214	12,933	-	-	40,147
Water-SDC	311,016	10,856	-	-	321,872
Parks-SDC	2,073	14,400	-	-	16,473
Hermiston Conference Center Maintenance & Repair	-	-	1,556	21,469	19,913
Accrued investment interest	4,063	50,370	-	-	54,433
Total reserve fund	<u>\$ 4,251,148</u>	<u>\$ 406,890</u>	<u>\$ 531,921</u>	<u>\$ 374,688</u>	<u>\$ 4,500,805</u>

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

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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<u>REVENUES:</u>				
Taxes	<u>\$ 53,000</u>	<u>\$ 53,000</u>	<u>\$ 73,820</u>	<u>\$ 20,820</u>
<u>EXPENDITURES:</u>				
Current:				
Culture and recreation:				
Personal services	27,156	27,156	27,149	7
Material and services	<u>50,000</u>	<u>87,500</u>	<u>74,717</u>	<u>12,783</u>
	<u>77,156</u>	<u>114,656</u>	<u>101,866</u>	<u>12,790</u>
<u>DEFICIENCY OF REVENUES</u>				
<u>UNDER EXPENDITURES</u>	(24,156)	(61,656)	(28,046)	33,610
<u>FUND BALANCES, BEGINNING</u>	<u>24,156</u>	<u>61,656</u>	<u>83,887</u>	<u>22,231</u>
<u>FUND BALANCES, ENDING</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,841</u>	<u>\$ 55,841</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<u>REVENUES:</u>				
Charges for service	\$ 120,000	\$ 120,000	\$ 73,812	\$ (46,188)
Grants and contributions	-	135,000	215,370	80,370
Miscellaneous income	6,000	26,000	19,200	(6,800)
Total revenues	<u>126,000</u>	<u>281,000</u>	<u>308,382</u>	<u>27,382</u>
<u>EXPENDITURES:</u>				
Current:				
Culture and recreation:				
Materials and services	<u>429,000</u>	<u>658,850</u>	<u>659,833</u>	<u>(983)</u>
Total expenditures	<u>429,000</u>	<u>658,850</u>	<u>659,833</u>	<u>(983)</u>
<u>EXCESS (DEFICIENCY) OF REVENUES</u>				
<u>OVER (UNDER) EXPENDITURES</u>	(303,000)	(377,850)	(351,451)	26,399
<u>OTHER FINANCING SOURCES</u>				
<u>(USES):</u>				
Transfers in	<u>283,500</u>	<u>283,500</u>	<u>283,657</u>	<u>157</u>
<u>NET CHANGE IN FUND BALANCES</u>				
	(19,500)	(94,350)	(67,794)	26,556
<u>FUND BALANCES, BEGINNING</u>				
	<u>19,500</u>	<u>94,350</u>	<u>411,262</u>	<u>316,912</u>
<u>FUND BALANCES, ENDING</u>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 343,468</u>	<u>\$ 343,468</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<u>REVENUES:</u>				
Fines and forfeits	\$ 192,100	\$ 181,100	\$ 184,965	\$ 3,865
Sales and Service	2,400	2,400	-	(2,400)
Total revenues	<u>194,500</u>	<u>183,500</u>	<u>184,965</u>	<u>1,465</u>
<u>EXPENDITURES:</u>				
Current:				
General Government:				
Materials and services	<u>18,500</u>	<u>18,500</u>	<u>18,050</u>	<u>450</u>
Total expenditures	<u>18,500</u>	<u>18,500</u>	<u>18,050</u>	<u>450</u>
<u>EXCESS (DEFICIENCY) OF REVENUES</u>				
<u>OVER (UNDER) EXPENDITURES</u>	176,000	165,000	166,915	1,915
<u>OTHER FINANCING SOURCES</u>				
<u>(USES):</u>				
Transfers out	(11,500)	(14,000)	(14,318)	(318)
Special payments	(164,500)	(151,000)	(153,766)	(2,766)
	<u>(176,000)</u>	<u>(165,000)</u>	<u>(168,084)</u>	<u>(3,084)</u>
<u>NET CHANGE IN FUND BALANCES</u>				
	-	-	(1,169)	(1,169)
<u>FUND BALANCES, BEGINNING</u>				
	<u>-</u>	<u>-</u>	<u>17,571</u>	<u>17,571</u>
<u>FUND BALANCES, ENDING</u>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,402</u>	<u>\$ 16,402</u>

CITY OF HERMISTON, OREGON

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

For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<u>REVENUES:</u>				
Charges for service	\$ 15,000	\$ 20,000	\$ 17,966	\$ (2,034)
Grants and contributions	1,000	1,000	-	(1,000)
Miscellaneous income	-	-	65,899	65,899
	<u>16,000</u>	<u>21,000</u>	<u>83,865</u>	<u>62,865</u>
<u>EXPENDITURES:</u>				
Current:				
General Government:				
Materials and services	1,000	1,000	548	452
Total expenditures	<u>1,000</u>	<u>1,000</u>	<u>548</u>	<u>452</u>
<u>EXCESS (DEFICIENCY) OF REVENUES</u>				
<u>OVER (UNDER) EXPENDITURES</u>				
	15,000	20,000	83,317	63,317
<u>OTHER FINANCING SOURCES</u>				
<u>(USES):</u>				
Transfers out	-	(117,500)	(117,500)	-
Special payments	(15,000)	(20,000)	(17,902)	2,098
	<u>(15,000)</u>	<u>(137,500)</u>	<u>(135,402)</u>	<u>2,098</u>
<u>NET CHANGE IN FUND BALANCES</u>				
	-	(117,500)	(52,085)	65,415
<u>FUND BALANCES, BEGINNING</u>				
	-	117,500	602,477	484,977
<u>FUND BALANCES, ENDING</u>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 550,392</u>	<u>\$ 550,392</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<u>REVENUES:</u>				
Charges for service	\$ 199,650	\$ 199,650	\$ 104,060	\$ (95,590)
Miscellaneous income	300	300	4,829	4,529
	<u>199,950</u>	<u>199,950</u>	<u>108,889</u>	<u>(91,061)</u>
<u>EXPENDITURES:</u>				
Current:				
Culture and recreation:				
Materials and services	<u>188,040</u>	<u>188,040</u>	<u>104,972</u>	<u>83,068</u>
Total expenditures	<u>188,040</u>	<u>188,040</u>	<u>104,972</u>	<u>83,068</u>
<u>EXCESS (DEFICIENCY) OF REVENUES</u>				
<u>OVER (UNDER) EXPENDITURES</u>	11,910	11,910	3,917	(7,993)
<u>OTHER FINANCING SOURCES</u>				
<u>(USES):</u>				
Transfers out	(11,910)	(11,910)	(11,500)	410
<u>NET CHANGE IN FUND BALANCES</u>	-	-	(7,583)	(7,583)
<u>FUND BALANCES, BEGINNING</u>	-	-	58,895	58,895
<u>FUND BALANCES, ENDING</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,312</u>	<u>\$ 51,312</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<u>REVENUES:</u>				
911 communications tax	<u>\$ 100,000</u>	<u>\$ 105,000</u>	<u>\$ 129,659</u>	<u>\$ 24,659</u>
<u>EXPENDITURES:</u>				
Current:				
Public safety:				
Personal services	751,605	756,605	687,238	69,367
Materials and services	51,400	51,400	50,696	704
Capital outlay	700	700	530	170
Total expenditures	<u>803,705</u>	<u>808,705</u>	<u>738,464</u>	<u>70,241</u>
<u>EXCESS (DEFICIENCY) OF REVENUES</u>				
<u>OVER (UNDER) EXPENDITURES</u>	(703,705)	(703,705)	(608,805)	94,900
<u>OTHER FINANCING SOURCES</u>				
<u>(USES):</u>				
Transfers in	<u>703,705</u>	<u>703,705</u>	<u>703,705</u>	<u>-</u>
	<u>703,705</u>	<u>703,705</u>	<u>703,705</u>	<u>-</u>
<u>NET CHANGE IN FUND BALANCES</u>	-	-	94,900	94,900
<u>FUND BALANCES, BEGINNING</u>	-	-	37,919	37,919
<u>FUND BALANCES, ENDING</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132,819</u>	<u>\$ 132,819</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<u>REVENUES:</u>				
Fines and forfeits	\$ -	\$ -	\$ -	\$ -
Grants and contributions	22,000	22,000	28,066	6,066
Miscellaneous income	15,000	15,000	465	(14,535)
	<u>37,000</u>	<u>37,000</u>	<u>28,531</u>	<u>(8,469)</u>
<u>EXPENDITURES:</u>				
Current:				
Public safety:				
Personal Services	13,000	13,000	12,537	463
Materials and services	37,000	37,000	29,065	7,935
Total expenditures	<u>50,000</u>	<u>50,000</u>	<u>41,602</u>	<u>8,398</u>
<u>EXCESS (DEFICIENCY) OF REVENUES</u>				
<u>OVER (UNDER) EXPENDITURES</u>	(13,000)	(13,000)	(13,071)	(71)
<u>OTHER FINANCING SOURCES</u>				
<u>(USES):</u>				
Transfers in	<u>8,000</u>	<u>8,000</u>	<u>10,661</u>	<u>2,661</u>
<u>NET CHANGE IN FUND BALANCES</u>	(5,000)	(5,000)	(2,410)	2,590
<u>FUND BALANCES, BEGINNING</u>	<u>5,000</u>	<u>5,000</u>	<u>39,195</u>	<u>34,195</u>
<u>FUND BALANCES, ENDING</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,785</u>	<u>\$ 36,785</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<u>REVENUES:</u>				
Charges for service	\$ 1,000	\$ 1,000	\$ 500	\$ (500)
Fines and penalties	17,825	17,825	14,543	(3,282)
Grants and contributions	9,200	9,200	8,617	(583)
Miscellaneous income	-	-	2,076	2,076
	<u>28,025</u>	<u>28,025</u>	<u>25,736</u>	<u>(2,289)</u>
<u>EXPENDITURES:</u>				
Current:				
Culture and recreation:				
Materials and services	17,000	17,000	16,588	412
Capital outlay	15,025	15,025	14,550	475
Total expenditures	<u>32,025</u>	<u>32,025</u>	<u>31,138</u>	<u>887</u>
<u>EXCESS (DEFICIENCY) OF REVENUES</u>				
<u>OVER (UNDER) EXPENDITURES</u>	(4,000)	(4,000)	(5,402)	(1,402)
<u>FUND BALANCES, BEGINNING</u>	<u>4,000</u>	<u>4,000</u>	<u>58,769</u>	<u>54,769</u>
<u>FUND BALANCES, ENDING</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,367</u>	<u>\$ 53,367</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Property taxes	\$ 321,680	\$ 321,680	\$ 321,129	\$ (551)
Miscellaneous income	-	-	54	54
Total revenues	<u>321,680</u>	<u>321,680</u>	<u>321,183</u>	<u>(497)</u>
<u>EXPENDITURES:</u>				
Debt service:				
2003 and 2013 pool bonds				
Principal	135,000	135,000	135,000	-
Interest	237,870	237,870	96,085	141,785
Total expenditures	<u>372,870</u>	<u>372,870</u>	<u>231,085</u>	<u>141,785</u>
<u>EXCESS OF REVENUES OVER</u>				
<u>EXPENDITURES</u>	<u>(51,190)</u>	<u>(51,190)</u>	<u>90,098</u>	<u>141,288</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers in:				
Utility fund (for debt service)	323,468	323,468	323,467	(1)
Energy fund (for debt service)	791,114	791,114	791,114	-
General fund (for debt service)	372,870	372,870	233,894	(138,976)
Debt service (for utility funds):				
Business Oregon	(9,884)	(9,884)	(9,884)	-
Principal:				
2005 Hermiston Energy Service bonds	(250,000)	(250,000)	(250,000)	-
2007 utility refunding bonds	(266,791)	(266,791)	(266,791)	-
2011 regional water bonds	(225,000)	(225,000)	(225,000)	-
Interest:				
2005 Hermiston Energy Service bonds	(541,114)	(541,114)	(541,114)	-
2007 utility refunding bonds	(46,793)	(46,793)	(46,792)	1
2011 regional water bonds	(96,680)	(96,680)	(96,675)	5
Total other financing sources (uses)	<u>51,190</u>	<u>51,190</u>	<u>(87,781)</u>	<u>(138,971)</u>
<u>NET CHANGE IN FUND BALANCES</u>	-	-	2,317	2,317
<u>FUND BALANCES, BEGINNING</u>	-	-	314,019	314,019
<u>FUND BALANCES, ENDING</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 316,336</u>	<u>\$ 316,336</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, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<u>REVENUES:</u>				
Charges for services				
Water	\$ 2,149,000	\$ 2,149,000	\$ 2,445,048	\$ 296,048
Sewer	1,672,000	1,672,000	1,904,486	232,486
Bond assessments	20,000	20,000	20,780	780
Investment interest	6,000	6,000	7,235	1,235
Total revenues	<u>3,847,000</u>	<u>3,847,000</u>	<u>4,377,549</u>	<u>530,549</u>
<u>EXPENDITURES:</u>				
Personal services	2,088,294	2,088,294	2,019,611	68,683
Materials and services	992,400	1,021,400	953,180	68,220
Capital outlay	170,000	206,000	205,184	816
Total expenditures	<u>3,250,694</u>	<u>3,315,694</u>	<u>3,177,975</u>	<u>137,719</u>
<u>EXCESS OF REVENUES OVER EXPENDITURES</u>	<u>596,306</u>	<u>531,306</u>	<u>1,199,574</u>	<u>668,268</u>
<u>TRANSFERS OUT:</u>				
Bonded debt fund	(323,467)	(323,467)	(323,467)	-
Reserve fund	(272,839)	(207,839)	(207,339)	500
Total transfers out	<u>(596,306)</u>	<u>(531,306)</u>	<u>(530,806)</u>	<u>500</u>
<u>NET CHANGE IN FUND BALANCES</u>	-	-	668,768	668,768
<u>FUND BALANCES, BEGINNING</u>	-	-	3,031,628	3,031,628
<u>PRIOR PERIOD ADJUSTMENT</u>	-	-	(53,624)	(53,624)
<u>FUND BALANCES, ENDING</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,646,772</u>	<u>\$ 3,646,772</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget- Positive (Negative)</u>
<u>REVENUES:</u>				
Charges for services	\$ 7,200,000	\$ 7,200,000	\$ 7,363,082	\$ 163,082
Miscellaneous	30,000	30,000	198,956	168,956
Investment interest	8,000	8,000	33,360	25,360
Total revenues	<u>7,238,000</u>	<u>7,238,000</u>	<u>7,595,398</u>	<u>357,398</u>
<u>EXPENDITURES:</u>				
Personal services	268,242	268,242	250,015	18,227
Materials and services	6,671,619	6,681,619	6,549,771	131,848
Capital outlay	300,000	300,000	300,000	-
Total expenditures	<u>7,239,861</u>	<u>7,249,861</u>	<u>7,099,786</u>	<u>150,075</u>
<u>EXCESS OF REVENUES OVER EXPENDITURES</u>	(1,861)	(11,861)	495,612	507,473
<u>TRANSFERS OUT</u>	<u>(810,864)</u>	<u>(810,864)</u>	<u>(810,864)</u>	<u>-</u>
<u>NET CHANGE IN FUND BALANCE</u>	(812,725)	(822,725)	(315,252)	507,473
<u>FUND BALANCES, BEGINNING</u>	<u>812,725</u>	<u>822,725</u>	<u>5,051,300</u>	<u>4,228,575</u>
<u>FUND BALANCES, ENDING</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,736,048</u>	<u>\$ 4,736,048</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, 2014

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts	Final Budget- Positive (Negative)
<u>REVENUES:</u>				
Charges for services	\$ 415,000	\$ 490,000	\$ 639,267	\$ 149,267
<u>EXPENDITURES:</u>				
Personal services	176,996	176,996	148,570	28,426
Materials and services	378,080	453,080	449,899	3,181
Capital outlay	20,000	20,000	-	20,000
Total expenditures	<u>575,076</u>	<u>650,076</u>	<u>598,469</u>	<u>51,607</u>
<u>NET CHANGE IN FUND</u>				
<u>BALANCE</u>	(160,076)	(160,076)	40,798	200,874
<u>FUND BALANCES, BEGINNING</u>	160,076	160,076	918,642	758,566
<u>PRIOR PERIOD ADJUSTMENT</u>	-	-	(84,954)	(84,954)
<u>FUND BALANCES, ENDING</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 874,486</u>	<u>\$ 874,486</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<u>REVENUES</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>EXPENDITURES:</u>				
Capital outlay	<u>16,000,000</u>	<u>16,000,000</u>	<u>13,491,947</u>	<u>2,508,053</u>
Total expenditures	<u>16,000,000</u>	<u>16,000,000</u>	<u>13,491,947</u>	<u>2,508,053</u>
<u>DEFICIENCY OF REVENUES</u>				
<u>UNDER EXPENDITURES</u>	(16,000,000)	(16,000,000)	(13,491,947)	2,508,053
<u>OTHER FINANCING SOURCES:</u>				
Loan proceeds	<u>16,000,000</u>	<u>16,000,000</u>	<u>11,978,717</u>	<u>(4,021,283)</u>
<u>NET CHANGE IN FUND</u>				
<u>BALANCES</u>	-	-	(1,513,230)	(1,513,230)
<u>FUND BALANCES, BEGINNING</u>	<u>-</u>	<u>-</u>	<u>(3,417,625)</u>	<u>(3,417,625)</u>
<u>FUND BALANCES, ENDING</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,930,855)</u>	<u>\$ (4,930,855)</u>

CITY OF HERMISTON, OREGON

2014 Water & Sewer Revenue Bond Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<u>REVENUES</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>EXPENDITURES:</u>				
Materials and services	-	-	66,500	(66,500)
Total expenditures	<u>-</u>	<u>-</u>	<u>66,500</u>	<u>(66,500)</u>
<u>EXCESS (DEFICIENCY) OF REVENUES</u>				
<u>OVER (UNDER) EXPENDITURES</u>	-	-	(66,500)	(66,500)
<u>OTHER FINANCING SOURCES:</u>				
Loan proceeds	-	-	4,864,162	4,864,162
<u>NET CHANGE IN FUND</u>				
<u>BALANCES</u>	-	-	4,797,662	4,797,662
<u>FUND BALANCES, BEGINNING</u>	-	-	-	-
<u>FUND BALANCES, ENDING</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,797,662</u>	<u>\$ 4,797,662</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<u>REVENUES:</u>				
Grants and contributions	\$ 3,000,000	\$ 3,000,000	\$ 61,458	\$ (2,938,542)
Transient room tax	-	-	103,660	103,660
	<u>3,000,000</u>	<u>3,000,000</u>	<u>165,118</u>	<u>(2,834,882)</u>
<u>EXPENDITURES:</u>				
Current:				
Culture and recreation:				
Materials and services	<u>3,000,000</u>	<u>3,000,000</u>	<u>61,458</u>	<u>2,938,542</u>
Total expenditures	<u>3,000,000</u>	<u>3,000,000</u>	<u>61,458</u>	<u>2,938,542</u>
<u>EXCESS (DEFICIENCY) OF</u>				
<u>REVENUES OVER</u>				
<u>(UNDER) EXPENDITURES</u>				
	-	-	103,660	103,660
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfer in	-	-	50,000	50,000
Change in joint venture fund balance	-	-	(195,218)	(195,218)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(145,218)</u>	<u>(145,218)</u>
<u>NET CHANGE IN FUND</u>				
<u>BALANCES</u>				
	-	-	(41,558)	(41,558)
<u>FUND BALANCES, BEGINNING</u>				
	-	-	1,543,216	1,543,216
<u>FUND BALANCES, ENDING</u>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,501,658</u>	<u>\$ 1,501,658</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, 2014

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.

	<u>Utility Fund</u>	<u>Energy Fund</u>	<u>Regional Water Fund</u>	<u>WWTP Construction Fund</u>	<u>2014 Water and Sewer Bond Fund</u>
<u>GAAP BASIS FUND BALANCES</u>	\$ 14,423,937	\$ 3,672,878	\$ 3,665,043	\$ 874,629	\$ (191,538)
<u>ADD (DEDUCT):</u>					
Accrued interest	42,039	134,059	39,344	299,433	31,158
Capital assets	(11,743,861)	(10,970,351)	(5,688,937)	(22,286,287)	(31,158)
Deferred charge on refunding	-	(69,509)	-	-	-
Long term debt	924,657	11,968,971	2,859,036	16,181,370	4,989,200
<u>BUDGETARY BASIS FUND BALANCES</u>	<u>\$ 3,646,772</u>	<u>\$ 4,736,048</u>	<u>\$ 874,486</u>	<u>\$ (4,930,855)</u>	<u>\$ 4,797,662</u>
<u>GAAP BASIS NET CHANGE IN FUND BALANCES</u>	\$ 558,793	\$ (117,224)	\$ 112,966	\$ -	\$ (191,538)
<u>ADD (DEDUCT):</u>					
Change in accrued interest	(2,940)	(2,438)	(1,875)	264,451	31,158
Acquisition of capital assets	(62,343)	(451,527)	-	(13,756,398)	(31,158)
Depreciation expense	449,078	485,124	176,033	-	-
Change in deferred refunding charge	-	9,301	-	-	-
New long term debt issued	-	-	-	11,978,717	4,989,200
Repayment of long term debt	(273,820)	(250,000)	(225,000)	-	-
Amortization of bond discounts and premiums	-	11,512	(21,326)	-	-
<u>BUDGETARY BASIS NET CHANGE IN FUND BALANCES</u>	<u>\$ 668,768</u>	<u>\$ (315,252)</u>	<u>\$ 40,798</u>	<u>\$ (1,513,230)</u>	<u>\$ 4,797,662</u>

CITY OF HERMISTON, OREGON

Schedule of Property Tax Transactions and Outstanding Balances
For the Year Ended June 30, 2014

<u>Fiscal Year</u>	<u>Property Taxes Receivable June 30, 2013</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, 2014</u>
2013-14	\$ -	\$ 5,073,454	\$ (129,037)	\$ (15,770)	\$ 1,608	\$ (4,760,155)	\$ 170,100
2012-13	179,329	-	-	(2,447)	5,237	(96,468)	85,651
2011-12	110,494	-	-	(1,551)	7,413	(71,546)	44,810
2010-11	68,304	-	-	(612)	10,332	(54,725)	23,299
2009-10	36,291	-	-	(596)	8,819	(39,514)	5,000
2008-09	7,952	-	-	(449)	2,101	(6,717)	2,887
2007-08	4,909	-	-	(439)	2,201	(6,066)	605
2006-07 and prior	3,106	-	-	(220)	457	(919)	2,424
Totals	<u>\$ 410,385</u>	<u>\$ 5,073,454</u>	<u>\$ (129,037)</u>	<u>\$ (22,084)</u>	<u>\$ 38,168</u>	<u>\$ (5,036,110)</u>	<u>\$ 334,776</u>

CITY OF HERMISTON, OREGON

Schedule of Future Debt Service Requirements

Of Bonds Payable

June 30, 2014

Maturing during Year Ending	2005		2007		2011		2013		2014		Total	
	Energy System Revenue Bonds		Utility Refunding Bonds		Water Refunding Bonds		Pool Bonds		Water & Sewer System Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 275,000	\$ 530,739	\$ 277,744	\$ 35,853	\$ 230,000	\$ 92,125	\$ 100,000	\$ 91,399	\$ -	\$ 193,623	\$ 882,744	\$ 943,739
2016	305,000	518,948	293,314	24,466	235,000	86,888	100,000	90,749	-	200,300	933,314	921,351
2017	330,000	506,058	303,413	12,440	240,000	80,350	100,000	89,924	-	200,300	973,413	889,072
2018	365,000	492,158	-	-	250,000	73,000	110,000	88,896	125,000	197,800	850,000	851,854
2019	395,000	476,464	-	-	255,000	65,425	110,000	86,669	130,000	192,700	890,000	821,258
2020	430,000	458,933	-	-	260,000	56,400	120,000	83,219	135,000	187,400	945,000	785,952
2021	470,000	439,808	-	-	270,000	45,800	130,000	78,819	140,000	181,900	1,010,000	746,327
2022	510,000	418,090	-	-	285,000	34,700	140,000	73,419	145,000	176,200	1,080,000	702,409
2023	550,000	393,710	-	-	295,000	23,100	145,000	67,719	155,000	170,200	1,145,000	654,729
2024	595,000	367,375	-	-	300,000	11,200	155,000	61,719	160,000	163,900	1,210,000	604,194
2025	645,000	338,855	-	-	130,000	2,600	170,000	56,069	165,000	157,400	1,110,000	554,924
2026	695,000	308,035	-	-	-	-	185,000	50,744	170,000	150,700	1,050,000	509,479
2027	745,000	275,288	-	-	-	-	195,000	45,044	180,000	143,700	1,120,000	464,032
2028	800,000	240,525	-	-	-	-	210,000	38,968	185,000	136,400	1,195,000	415,893
2029	860,000	203,175	-	-	-	-	220,000	32,519	195,000	128,800	1,275,000	364,494
2030	920,000	163,125	-	-	-	-	215,000	25,859	200,000	120,900	1,335,000	309,884
2031	985,000	120,263	-	-	-	-	225,000	18,984	210,000	111,650	1,420,000	250,897
2032	1,055,000	74,363	-	-	-	-	240,000	11,718	220,000	100,900	1,515,000	186,981
2033	1,125,000	25,313	-	-	-	-	255,000	3,984	235,000	89,525	1,615,000	118,822
2034	-	-	-	-	-	-	-	-	245,000	77,525	245,000	77,525
2035	-	-	-	-	-	-	-	-	260,000	46,900	260,000	46,900
2036	-	-	-	-	-	-	-	-	270,000	53,000	270,000	53,000
2037	-	-	-	-	-	-	-	-	280,000	42,000	280,000	42,000
2038	-	-	-	-	-	-	-	-	290,000	30,600	290,000	30,600
2039	-	-	-	-	-	-	-	-	305,000	18,700	305,000	18,700
2040	-	-	-	-	-	-	-	-	315,000	6,300	315,000	6,300
	<u>\$12,055,000</u>	<u>\$6,351,225</u>	<u>\$ 874,471</u>	<u>\$ 72,759</u>	<u>\$2,750,000</u>	<u>\$ 571,588</u>	<u>\$3,125,000</u>	<u>\$1,096,421</u>	<u>\$4,715,000</u>	<u>\$3,279,323</u>	<u>\$23,519,471</u>	<u>\$11,371,316</u>

CITY OF HERMISTON, OREGON

Schedule of Long-Term Debt Transactions
For the Year Ended June 30, 2014

	Interest Rate	PRINCIPAL TRANSACTIONS				INTEREST TRANSACTIONS			
		Outstanding June 30, 2013	New Debt Issued	Matured During Year	Outstanding June 30, 2014	Matured and Outstanding June 30, 2013	Matured During Year	Paid During Year	Matured and Outstanding June 30, 2014
<u>BONDS PAYABLE:</u>									
2003 Pool Bonds*	3.65%	\$ 65,000	\$ -	\$ 65,000	\$ -	\$ -	\$ 1,186	\$ 1,186	\$ -
2005 Energy System Revenue Bonds	3.35%-4.60%	12,305,000	-	250,000	12,055,000	-	541,114	541,114	-
2007 Utility Refunding Bonds	4.10%	1,141,262	-	266,791	874,471	-	46,792	46,792	-
2011 Water Refunding Bonds	2.0% - 4.0%	2,975,000	-	225,000	2,750,000	-	96,675	96,675	-
2013 Pool Refunding Bonds	0.45% - 4.0%	3,195,000	-	70,000	3,125,000	-	97,707	97,707	-
2014 Water & Sewer Revenue Bonds	0.45% - 4.0%	-	4,715,000	-	4,715,000	-	-	-	-
		<u>\$19,681,262</u>	<u>\$ 4,715,000</u>	<u>\$ 876,791</u>	<u>\$23,519,471</u>	<u>\$ -</u>	<u>\$ 783,474</u>	<u>\$ 783,474</u>	<u>\$ -</u>

* -- general obligation bonds

CITY OF HERMISTON, OREGON

Annual Accounting of System Development Charges

For the Year Ended June 30, 2014

	<u>Water System</u>	<u>Wastewater System</u>	<u>Parks System</u>
<u>BALANCE, JUNE 30, 2013</u>	\$ 311,016	\$ 27,214	\$ 2,073
<u>REVENUES:</u>			
System development charges collected	10,856	12,933	14,400
<u>BALANCE, JUNE 30, 2014</u>	<u>\$ 321,872</u>	<u>\$ 40,147</u>	<u>\$ 16,473</u>

Notes:

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

CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS

CITY OF HERMISTON, OREGON

Capital Assets Used in the Operation of Governmental Activities
Schedule By Function and Activity
June 30, 2014

<u>Function and Activity</u>	<u>Land</u>	<u>Construction in Progress</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	\$ 341,322	\$ -	\$ 976,525
Airport	498,579	51,585	1,908,610	59,427	-	2,518,201
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>51,585</u>	<u>3,157,945</u>	<u>442,824</u>	<u>-</u>	<u>4,937,723</u>
Public safety:						
Police	24,820	-	899,142	866,069	-	1,790,031
Highway and streets:						
Maintenance	62,461	-	367,650	915,336	-	1,345,447
Street system	111,561	-	-	-	15,496,201	15,607,762
	<u>174,022</u>	<u>-</u>	<u>367,650</u>	<u>915,336</u>	<u>15,496,201</u>	<u>16,953,209</u>
Culture and recreation:						
Aquatic center	-	-	3,826,239	-	-	3,826,239
Library	8,500	-	784,269	-	-	792,769
Parks	823,918	-	2,156,539	286,749	-	3,267,206
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>-</u>	<u>8,680,128</u>	<u>294,244</u>	<u>-</u>	<u>9,854,790</u>
Total governmental funds capital assets	<u>\$ 2,364,629</u>	<u>\$ 51,585</u>	<u>\$ 13,104,865</u>	<u>\$ 2,518,473</u>	<u>\$ 15,496,201</u>	<u>\$ 33,535,753</u>

CITY OF HERMISTON, OREGON

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

June 30, 2014 and 2013

	June 30,	
	<u>2014</u>	<u>2013</u>
<u>GOVERNMENTAL FUNDS CAPITAL ASSETS:</u>		
Land	\$ 2,364,629	\$ 2,364,629
Construction in progress	51,585	-
Buildings and improvements	13,104,865	12,301,923
Machinery and equipment	2,518,473	2,454,468
Infrastructure	<u>15,496,201</u>	<u>15,473,730</u>
Total governmental funds capital assets	<u>\$ 33,535,753</u>	<u>\$ 32,594,750</u>
<u>INVESTMENT IN GOVERNMENTAL FUND</u>		
<u>CAPITAL ASSETS BY SOURCE:</u>		
Unsegregated amounts, prior years	\$ 16,896,806	\$ 16,896,806
General fund	3,767,067	3,661,300
Special revenue funds	7,424,782	6,589,546
Capital project funds	5,377,098	5,377,098
Donations	<u>70,000</u>	<u>70,000</u>
Total governmental funds capital assets	<u>\$ 33,535,753</u>	<u>\$ 32,594,750</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, 2014

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Governmental Funds Capital Assets June 30, 2014</u>
General government:				
City hall	\$ 968,422	\$ 8,103	\$ -	\$ 976,525
Airport	2,277,729	240,472	-	2,518,201
Parking	494,380	-	-	494,380
Inspections	53,895	-	-	53,895
Other - unclassified	894,722	-	-	894,722
	<u>4,689,148</u>	<u>248,575</u>	<u>-</u>	<u>4,937,723</u>
Public safety:				
Police	<u>1,684,264</u>	<u>136,773</u>	<u>(31,006)</u>	<u>1,790,031</u>
Highways and streets:				
Maintenance	1,332,748	12,699	-	1,345,447
Infrastructure	15,585,291	22,471	-	15,607,762
	<u>16,918,039</u>	<u>35,170</u>	<u>-</u>	<u>16,953,209</u>
Culture and recreation:				
Aquatic center	3,826,239	-	-	3,826,239
Library	792,769	-	-	792,769
Parks and trails	2,715,715	551,491	-	3,267,206
CRC community building	304,660	-	-	304,660
Community center building	1,663,916	-	-	1,663,916
	<u>9,303,299</u>	<u>551,491</u>	<u>-</u>	<u>9,854,790</u>
Total governmental funds capital assets	<u>\$ 32,594,750</u>	<u>\$ 972,009</u>	<u>\$ (31,006)</u>	<u>\$ 33,535,753</u>

STATISTICAL SECTION

CITY OF HERMISTON, OREGON

STATISTICAL SECTION CONTENTS

June 30, 2014

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

	<u>Pages</u>
<u>Financial Trends</u>	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	90-94
<u>Revenue Capacity</u>	
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	95-98
<u>Debt Capacity</u>	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	99-102
<u>Demographic and Economic Information</u>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	103-105
<u>Operating Information</u>	
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	106-109

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, 2014

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<u>GOVERNMENTAL ACTIVITIES:</u>										
Net investment in capital assets	\$ 9,863,841	\$ 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
Restricted	1,721,429	2,576,299	2,600,026	3,008,653	1,464,314	-	-	163,822	205,077	327,059
Unrestricted	12,159,756	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
Total governmental activities net position	<u>23,745,026</u>	<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>BUSINESS-TYPE ACTIVITIES:</u>										
Net investment in capital assets	13,797,360	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
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	8,647,589	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
Total business-type activities net position	<u>22,444,949</u>	<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>TOTAL GOVERNMENT:</u>										
Net investment in capital assets	23,661,201	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
Restricted	1,721,429	2,576,299	2,600,026	3,008,653	1,464,314	-	-	163,822	205,077	327,059
Unrestricted	20,807,345	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
Total government net position	<u>\$ 46,189,975</u>	<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>

CITY OF HERMISTON, OREGON

CHANGES IN NET POSITION

Last Ten Fiscal Years
(Accrual Basis of Accounting)

June 30, 2014

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<u>EXPENSES</u>										
Governmental activities:										
General government	\$ 2,235,974	\$ 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
Public safety	4,206,167	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
Highways and streets	1,137,768	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
Economic development	-	-	-	15,500	129,900	93,848	55,184	-	-	-
Cultural and recreation	2,574,869	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
Interest on long-term debt	79,275	68,386	144,209	145,981	147,203	148,356	149,829	157,475	158,624	130,450
Total governmental activities expenses	<u>10,234,053</u>	<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>
Business-type activities:										
Water	2,958,897	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
Sewer	1,839,835	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
Electric	7,484,555	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
Total business-type activities expenses	<u>12,283,287</u>	<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>
Total government expenses	<u>\$ 22,517,340</u>	<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>PROGRAM REVENUES</u>										
Governmental Activities:										
Charges for services:										
General government	\$ 846,514	\$ 635,560	\$ 551,825	\$ 665,312	\$ 987,958	\$ 1,013,349	\$ 646,032	\$ 1,074,679	\$ 1,093,736	\$ 1,301,116
Public safety	777,567	827,126	762,125	819,888	825,617	681,836	644,475	104,110	110,257	-
Cultural and recreation	618,789	701,662	673,172	638,879	617,699	405,375	572,890	533,716	501,993	338,776
Operating grants and contributions	92,624	91,517	93,004	503,157	231,061	225,092	130,437	154,949	92,995	118,356
Capital grants and contributions	673,801	401,383	376,926	199,858	236,413	1,194,254	322,692	387,466	-	252,821
Total governmental activities program revenues	<u>3,009,295</u>	<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>
Business-type activities:										
Charges for services:										
Water	3,065,357	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
Sewer	1,925,266	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
Electric	7,363,082	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
Capital Grants and Contributions	-	-	-	-	-	-	-	-	-	75,000
Total business-type activities program revenues	<u>12,353,705</u>	<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>
Total government program revenues	<u>\$ 15,363,000</u>	<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>

(continued on next page)

CITY OF HERMISTON, OREGON

CHANGES IN NET POSITION

Last Ten Fiscal Years

(Accrual Basis of Accounting)

June 30, 2014

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<u>NET (EXPENSE) REVENUE</u>										
Governmental activities	\$ (7,224,758)	\$ (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)
Business-type activities	70,418	802,962	577,331	1,137,920	1,434,173	1,073,185	505,606	249,755	636,966	590,119
Total government expenses	<u>\$ (7,154,340)</u>	<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>GENERAL REVENUES AND OTHER</u>										
<u>CHANGES IN NET POSITION</u>										
Governmental activities										
Taxes										
Property taxes	\$ 4,961,148	\$ 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
Transient room taxes	588,111	441,185	413,789	364,064	363,115	339,377	320,022	313,442	300,436	275,625
Franchise fee	409,002	384,155	396,169	389,756	412,427	508,594	424,780	438,831	393,501	363,315
911 taxes	129,659	122,058	112,098	120,827	122,544	138,996	172,219	-	-	-
Motor fuel taxes	983,349	924,983	917,016	780,571	667,479	615,027	682,152	712,278	721,384	707,943
State shared taxes	488,321	409,772	379,829	354,712	314,791	334,322	330,842	389,446	427,229	389,551
Interest and investment earnings	130,246	21,485	4,109	14,570	10,873	52,759	203,167	349,544	272,280	112,122
Change in joint venture net position	(98,357)	845,921	-	-	-	-	-	-	-	-
Other revenues	227,062	552,843	464,493	439,541	578,011	618,458	708,055	785,148	712,022	663,458
Gain (loss) on sale of capital assets	-	-	-	-	-	-	-	(11,096)	901	-
Transfers	(34,068)	864,438	(359,513)	(28,473)	182,056	(214,228)	520,965	(350,294)	(283,839)	(953,614)
Total governmental activities	<u>7,784,473</u>	<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>
Business-type activities:										
Interest and investment earnings	40,595	10,648	7,079	18,027	21,272	56,744	174,581	167,017	117,281	56,794
Other revenues	217,916	151,859	131,056	196,320	145,606	67,273	84,906	70,742	77,309	95,317
Transfers	34,068	(864,438)	359,513	28,473	(182,056)	214,228	(520,965)	350,294	283,839	953,614
Extraordinary items	-	-	-	-	-	-	385,614	-	-	-
Total business-type activities	<u>292,579</u>	<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>
Total government	<u>8,077,052</u>	<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>CHANGE IN NET POSITION</u>										
Governmental activities	559,715	1,943,347	350,602	1,062,213	945,372	149,174	600,962	(131,212)	(978,082)	(1,034,736)
Business-type activities	362,997	101,031	1,074,979	1,380,740	1,418,995	1,411,430	629,742	837,808	1,115,395	1,695,844
Total government	<u>\$ 922,712</u>	<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>

CITY OF HERMISTON, OREGON

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

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<u>GENERAL FUND</u>										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,000	\$ -	\$ 141,980
Unreserved	-	-	-	-	4,019,854	2,795,028	3,514,949	3,345,530	2,855,982	3,288,325
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	1,502,800	1,859,278	-	55,000	-	-	-	-	-	-
Unassigned	3,204,434	3,011,936	5,576,960	5,022,820	-	-	-	-	-	-
Total general fund	<u>\$ 4,707,234</u>	<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>ALL OTHER GOVERNMENTAL FUNDS</u>										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 21,366	\$ -	\$ -	\$ 83,900	\$ 39,478	\$ 34,000
Unreserved, reported in:										
Special revenue funds	-	-	-	-	4,086,817	3,971,670	4,047,028	3,437,527	4,231,748	4,605,609
Debt service fund	-	-	-	-	154,946	106,557	112,239	109,782	315,749	261,521
Nonspendable	1,501,658	1,682,405	106,839	106,260	-	-	-	-	-	-
Restricted	1,721,429	2,501,362	2,600,026	3,010,653	-	-	-	-	-	-
Committed	5,178,081	3,818,631	1,940,657	1,560,134	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 8,401,168</u>	<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>

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									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<u>REVENUES</u>										
Property taxes	\$ 5,038,051	\$ 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
Transient room tax	588,111	441,185	413,789	364,064	363,115	339,377	320,022	313,442	300,436	275,625
911 tax	129,659	122,058	112,098	120,827	122,544	138,996	172,219	97,111	119,985	133,766
Franchise fees	409,002	384,155	396,169	389,756	412,427	508,594	424,780	438,831	393,501	363,315
Intergovernmental	1,471,670	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
Fees, licenses, and permits	4,655	4,355	5,350	5,390	4,580	5,170	5,165	3,165	3,220	2,575
Fines and forfeits	666,095	718,828	650,872	703,996	821,037	676,666	534,927	521,637	443,636	359,138
Investment interest	130,246	21,485	4,109	14,455	10,873	52,759	203,167	349,544	272,280	112,122
Charges for services	1,572,120	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
Miscellaneous	992,713	1,043,797	934,423	1,137,166	1,045,485	2,037,804	1,168,080	1,309,143	781,021	631,458
Total revenues	<u>11,002,322</u>	<u>10,490,142</u>	<u>9,989,371</u>	<u>10,075,947</u>	<u>10,117,677</u>	<u>10,494,827</u>	<u>9,414,725</u>	<u>9,075,918</u>	<u>7,956,683</u>	<u>7,528,786</u>
<u>EXPENDITURES</u>										
General government	2,157,645	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
Public safety	4,140,332	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
Highway and streets	733,546	618,522	580,281	611,728	715,241	813,932	848,896	813,344	818,743	709,759
Economic development	-	-	-	15,500	129,900	93,848	55,184	-	-	-
Cultural and recreation	2,297,946	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
Capital outlay	1,033,467	864,410	681,704	376,545	284,884	1,688,420	788,371	937,742	586,452	1,168,738
Debt service:										
Principal	135,000	60,000	55,000	45,000	45,000	40,000	128,000	118,000	109,000	104,000
Interest	96,085	72,907	144,363	145,981	147,309	148,439	154,355	159,645	164,716	169,324
Total expenditures	<u>10,594,021</u>	<u>10,199,978</u>	<u>9,160,243</u>	<u>8,575,590</u>	<u>8,890,005</u>	<u>11,081,560</u>	<u>9,338,213</u>	<u>9,091,842</u>	<u>8,561,322</u>	<u>8,326,489</u>
<u>EXCESS (DEFICIENCY) OF REVENUES</u>										
<u>OVER (UNDER) EXPENDITURES</u>	<u>408,301</u>	<u>290,164</u>	<u>829,128</u>	<u>1,500,357</u>	<u>1,227,672</u>	<u>(586,733)</u>	<u>76,512</u>	<u>(15,924)</u>	<u>(604,639)</u>	<u>(797,703)</u>
<u>OTHER FINANCING SOURCES (USES)</u>										
Transfers in	2,406,591	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
Transfers out	(2,440,659)	(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)
Change in joint venture fund balance	(195,218)	1,492,582	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	32,000
Total other financing sources (uses)	<u>(229,286)</u>	<u>2,357,020</u>	<u>(359,513)</u>	<u>(28,473)</u>	<u>182,056</u>	<u>(214,228)</u>	<u>520,965</u>	<u>(350,294)</u>	<u>(283,839)</u>	<u>(921,614)</u>
<u>NET CHANGE IN FUND BALANCES</u>	<u>\$ 179,015</u>	<u>\$ 2,647,184</u>	<u>\$ 469,615</u>	<u>\$ 1,471,884</u>	<u>\$ 1,409,728</u>	<u>\$ (800,961)</u>	<u>\$ 597,477</u>	<u>\$ (366,218)</u>	<u>\$ (888,478)</u>	<u>\$ (1,719,317)</u>
Debt service as a percentage of noncapital expenditures	2.40%	1.42%	2.35%	2.33%	2.23%	2.01%	3.30%	3.40%	3.43%	3.82%

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>
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%
2014	747,023,905	36,202,580	24,317,000	807,543,485	6.49	935,091,901	86.36%

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,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<u>Direct rates</u>										
City of Hermiston general	6.09	6.09	6.09	6.09	6.09	6.09	6.09	6.09	5.08	5.08
City of Hermiston bond	0.40	0.35	0.46	0.51	0.52	0.48	0.50	0.17	0.65	0.68
Total direct rates	<u>6.49</u>	<u>6.44</u>	<u>6.55</u>	<u>6.60</u>	<u>6.61</u>	<u>6.57</u>	<u>6.59</u>	<u>6.26</u>	<u>5.73</u>	<u>5.76</u>
<u>Overlapping rates</u>										
Umatilla County	3.06	3.10	3.11	3.11	3.11	3.11	3.12	3.14	3.15	3.15
Hermiston School District #8	9.02	9.01	8.98	9.12	9.26	7.40	8.07	7.99	5.96	7.36
Intermountain E.S.D.	0.62	0.62	0.62	0.56	0.56	0.56	0.56	0.56	0.46	0.46
Blue Mountain Community College	0.95	0.96	0.96	0.97	0.97	0.96	0.99	0.99	0.86	0.84
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	0.17	-	-	-	-	-	-	-
West Umatilla Mosquito Control District	0.38	0.29	0.29	0.29	0.34	0.25	0.25	0.25	0.25	0.20
Total overlapping rates	<u>15.64</u>	<u>15.59</u>	<u>15.57</u>	<u>15.49</u>	<u>15.68</u>	<u>13.72</u>	<u>14.43</u>	<u>14.37</u>	<u>12.12</u>	<u>13.45</u>
Total	<u><u>22.13</u></u>	<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>

CITY OF HERMISTON, OREGON

Principal Taxpayers
June 30, 2014

Taxpayer	Type of Business	2014			2005		
		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	\$ 33,940,090	4.2%	1	\$ 31,092,850	5.9%
Retail Trust #2	Shopping center	2	9,256,340	1.1%	3	7,665,510	1.5%
HD Development of Maryland, Inc.	Retailer	3	8,547,740	1.1%			
Hermiston Station, LLC	Unknown	4	8,294,100	1.0%			
Wal-Mart /Sam's Club	Distribution center	5	7,946,990	1.0%			
Umatilla Electric Co-op	Power utility	6	6,514,200	0.8%	7	5,903,800	1.1%
Good Shepherd Hospital	Medical offices	7	6,340,590	0.8%			
Hermiston Foods LLC	Food processing	8	5,824,380	0.7%	5	7,218,800	1.4%
Charter Communications	Communications	9	5,436,300	0.7%			
CDS Hermiston, LLC	Unknown	10	5,051,380	0.6%			
Sterling Ridge Apartments, LLC	Apartments		-		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>\$ 97,152,110</u>	<u>12.0%</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
2005	3,232,964	2,972,550	91.9	260,101	3,232,651	100.0 %
2006	3,395,907	3,156,735	93.0	238,810	3,395,545	100.0
2007	3,983,206	3,702,634	93.0	279,997	3,982,631	100.0
2008	4,364,595	4,083,728	93.6	280,262	4,363,990	100.0
2009	4,576,241	4,230,533	92.4	342,821	4,573,354	99.9
2010	4,863,080	4,509,768	92.7	348,312	4,858,080	99.9
2011	4,938,735	4,586,786	92.9	328,650	4,915,436	99.5
2012	4,997,696	4,641,447	92.9	311,439	4,952,886	99.1
2013	5,035,471	4,719,222	93.7	230,598	4,949,820	98.3
2014	5,073,454	4,760,155	93.8	-	4,760,155	93.8

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			
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	3.85%	1,267
2013	3,260,000	-	0.40%	192	12,305,000	4,116,262	4,259,869	23,941,131	*	1,409
2014	3,125,000	-	0.39%	181	16,770,000	3,624,471	16,231,556	39,751,027	*	2,306

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, 2014

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to City (1)</u>	<u>Amount Applicable to City</u>
<u>DIRECT:</u>			
City of Hermiston (2)	\$ 3,125,000	100.00%	\$ 3,125,000
<u>OVERLAPPING:</u>			
Umatilla County	15,820,000	17.00%	2,689,536
School District #8	110,403,733	44.87%	49,532,821
Blue Mountain Community College	9,720,000	17.00%	1,652,483
Total overlapping	<u>135,943,733</u>		<u>53,874,840</u>
Total direct and overlapping	<u>\$ 139,068,733</u>		<u>\$ 56,999,840</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, 2014

Legal Debt Margin Calculation for Fiscal Year 2014

True cash value	<u>\$ 935,091,901</u>	
Debt limit (3% of assessed value)		\$28,052,757
Debt applicable to limit:		
Gross bonded debt	\$ 23,519,471	
Less legal deductions:		
Full faith and credit bonds	(3,125,000)	
Water bonds	(2,750,000)	
Utility bonds	(5,589,471)	
Energy bonds	<u>(12,055,000)</u>	
Total net debt applicable to limit		-
Legal debt margin		<u>\$28,052,757</u>
Total net debt applicable to the limit as a percentage of debt limit		0.00%

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Debt limit	\$ 16,840,245	\$17,699,914	\$19,340,500	\$20,077,232	\$21,154,614	\$28,383,011	\$28,053,431	\$28,000,719	\$28,257,564
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-
Legal debt margin	<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>	<u>\$28,257,564</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 287A.050 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	
Utility						
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
2014	4,377,550	3,252,025	1,125,525	266,791	46,708	3.59
Electric						
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
2014	7,595,399	6,439,942	1,155,457	250,000	550,188	1.44

- (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>
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	32,901	554,875,365	8.5
2013	16,995	*	*	8.2
2014	17,240	*	*	7.4

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>2014</u>			<u>2005</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	1,320	1	11.1%			
Wal-Mart Distribution	859	2	7.2%	Information not available		
River Point Farms	650	3	5.4%			
Good Shepherd Medical Center	572	4	4.8%			
Hermiston School District	519	5	4.4%			
Wal-Mart Supercenter	400	6	3.4%			
Hermiston Foods	325	7	2.7%			
Union Pacific Railroad	300	8	2.5%			
Medelez Trucking	200	9	1.7%			
Shearers	200	9	1.7%			
			<u>44.9%</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>2014</u>	<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>
General government	9.66	8.17	7.97	5.89	6.5	11.2	11.2	11.2	11.2	11.2
Public safety	35.50	35.10	36.00	33.00	33.0	35.0	35.0	33.5	33.5	33.5
Highways and streets	6.33	5.65	5.34	5.83	5.6	6.3	6.3	6.3	6.3	6.3
Cultural and recreation	23.80	24.95	28.72	27.30	23.5	27.5	27.5	27.5	27.5	27
Water	10.59	10.66	10.62	9.92	10.0	10.7	10.7	10.7	10.7	10.7
Sewer	11.26	11.62	11.28	8.59	11.0	11.4	11.4	11.4	11.4	11.4
Electric	2.38	2.31	2.33	2.54	2.4	2.4	2.4	2.4	2.4	2.4
Total	<u>99.52</u>	<u>98.46</u>	<u>102.26</u>	<u>93.07</u>	<u>92.0</u>	<u>104.5</u>	<u>104.5</u>	<u>103</u>	<u>103</u>	<u>102.5</u>

Source: City of Hermiston

CITY OF HERMISTON, OREGON

Operating Indicators by Function/Program
Last Ten Fiscal Years

<u>FUNCTION/PROGRAM</u>	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental Activities:										
General government										
Number of Senior Citizen Taxi Program tickets sold	30,306	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	23,878	24,114	26,149	27,083	33,621	36,841	26,654	26,016	25,610	*
Officer initiated	9,160	9,335	10,476	12,283	19,893	22,869	11,149	10,366	9,807	*
Calls for police service	14,718	14,779	15,673	14,802	13,728	13,972	15,505	15,650	15,803	*
Number of traffic stops	4,227	5,113	4,932	4,778	6,397	8,177	5,196	5,602	5,104	*
Highways and streets										
Estimated miles of street swept	3,301	3,205	4,964	6,200	5,237	6,800	5,000	10,242	600	*
Cultural and recreation										
Number of library items checked out	82,195	83,791	84,388	86,997	100,412	102,527	100,886	98,072	89,835	60,521
Number of library patrons	12,700	11,064	10,462	9,565	8,773	10,217	10,245	8,984	10,007	9,873
Business-type activities:										
Water										
Number of accounts	4,828	4,801	4,751	4,707	4,543	4,495	4,411	4,362	4,060	3,954
Annual consumption (in billions of gallons)	3,529	2,900	2,605	3,377	3,729	3,513	3,911	2,324	2,983	3,711
Sewer										
Number of accounts	4,585	4,540	4,504	4,449	4,428	4,604	4,314	4,494	4,393	4,283
Electricity										
Number of accounts	5,171	5,337	5,291	5,263	5,296	5,266	5,230	5,232	5,163	5,139
KWH sold	110,521,490	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									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
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	11	13	15	12	11	13	16	17	12	12
Bus	-	-	-	-	-	-	1	1	1	1
Motorcycles	1	2	2	2	3	2	2	2	2	2
Highways and streets										
Miles of streets	64	64	62	62	62	60	60	60	60	60
Culture and recreation										
Library collection:										
Printed materials	33,361	34,716	35,714	35,578	34,973	34,121	36,305	37,140	39,110	*
Audio materials	1,610	1,547	1,768	1,813	1,665	2,607	2,054	1,081	1,442	*
Video materials	1,782	1,725	1,734	1,961	1,707	1,759	1,618	1,339	1,407	*
Electronic materials	3,452	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	76	69	69	69	68	66	66	60	60
Miles of regional water system water line	2	14	14	14	14	14	14	14	14	14
City wells	5	6	6	6	6	6	6	6	6	6
Sewer: storm water pump stations (not new)	3	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	1	2	2	2	2	1
Electric										
Miles of overhead line	37	37	37	37	37	37	37	37	37	*
Miles of underground line	28	28	28	28	27	26	25	25	20	*
Transformers	1,415	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, 2014

FORM OF GOVERNMENT

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

COUNCIL-MANAGER

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: 17,240

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, 2014

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.

BARNETT & MORO, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

495 E. Main
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(541) 567-5215
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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, 2014, and have issued our report thereon dated December 4, 2014. 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:

MONITORING AND RECONCILIATION

Municipal Court

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

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 detailed records are not available. We recommend that a detailed summary of authorized adjustments be maintained and signed by the Judge.

Mayor and City Council
City of Hermiston
Page three

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.

Bank Reconciliations

Bank reconciliations should be reviewed for reasonableness of outstanding reconciling items each month. Unusual or long-outstanding items should be researched and addressed as appropriate in the circumstances.

Duplicate recording of income occurred in January 2014, and remained a bank reconciling item from January until August when it was detected during the annual audit. City staff did not consider a \$675,937 deposit that was listed as an outstanding reconciling item from January until August.

We recommend the Finance Director review bank reconciliations each month, and consider the nature of outstanding reconciling items.

Lottery Grant

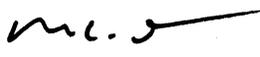
Oregon Lottery Grant funds are required to be maintained in a dedicated bank account separate from other City monies.

Some grant disbursements were made from City monies other than Oregon Lottery Grant funds without being detected and corrected by City personnel.

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

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

Barnett & Moro, P.C.

By: 

Richard L. Stoddard, Shareholder
Hermiston, Oregon
December 4, 2014

SINGLE AUDIT SECTION

CITY OF HERMISTON, OREGON

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

<u>Federal Grantor/Program Name:</u>	<u>Federal CFDA Number</u>	<u>Major Program</u>	<u>Grant Number</u>	<u>Amount</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY:</u>				
<u>Passed through Oregon Department of</u>				
Capitalization Grants for Clean Water State Revolving Funds	66.458	X	R43771	<u>\$ 4,246,081</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
<u>Passed through Oregon Department of Transportation</u>				
Airport Improvement Program	20.106		FA13NM-0059	215,621
National Motor Carrier Safety	20.218		28973	519
Recreational Trails Program	20.219		Not available	135,000
State and Community Highway Safety	20.600		Not available	2,307
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601		Not available	<u>4,375</u>
Total U.S. Department of Transportation				<u>357,822</u>
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>				
<u>Passed through Oregon Department of Education</u>				
Summer Food Service Program for Children	10.559		Not available	<u>26,204</u>
<u>EXECUTIVE OFFICE OF THE PRESIDENT</u>				
<u>Passed through City of Pendleton, Oregon</u>				
High Intensity Drug Trafficking Areas Program	95.001		Not available	<u>5,853</u>
				<u><u>\$ 4,635,960</u></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, 2014

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, 2014, and the related notes to the financial statements, which collectively comprise City of Hermiston, Oregon's basic financial statements and have issued our report thereon dated December 4, 2014.

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 2013-002, 2013-003, and 2014-001 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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
December 4, 2014

**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, 2014. 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, 2014.

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.

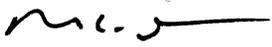
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses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

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-001 to be a material weakness.

City of Hermiston, Oregon's response to the internal control over compliance 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 compliance and, accordingly, we express no opinion on the response.

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
December 4, 2014

CITY OF HERMISTON, OREGON

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Section I-Summary of Auditor's Results

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, 2014

Section II-Financial Statement Findings

Finding 2013-002

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

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 detailed 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.

Finding 2013-003

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

Some grant disbursements were made from City monies other than Oregon Lottery Grant funds without being detected and corrected by City personnel.

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

Section III-Federal Award Findings and Questioned Costs

Finding 2014-001

Bank reconciliations should be reviewed for reasonableness of outstanding reconciling items each month. Unusual or long-outstanding items should be researched and addressed as appropriate in the circumstances.

Duplicate recording of income occurred in January 2014, and remained a bank reconciling item from January until August when it was detected during the annual audit. City staff did not consider a \$675,937 deposit that was listed as an outstanding reconciling item from January until August.

We recommend the Finance Director review bank reconciliations each month, and consider the nature of outstanding reconciling items.

CITY OF HERMISTON, OREGON

Corrective Action Plan

Year Ended June 30, 2014

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 2013-002

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 Municipal Court will now maintain a detailed summary of authorized adjustments signed by the Judge. The Finance Director will review the adjustments made by the Clerk of the Court each month and return them to the Court for filing.

The Court will establish and follow a regular schedule for reviewing and writing off uncollectible accounts. The Finance Director will review the write-offs and return them to the Court for filing.

Finding 2013-003

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

CORRECTIVE ACTION PLANNED OR TAKEN:

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

Finding 2014-001

Bank reconciliations should be reviewed for reasonableness of outstanding reconciling items each month. Unusual or long-outstanding items should be researched and addressed as appropriate in the circumstances.

CORRECTIVE ACTION PLANNED OR TAKEN:

The Finance Director will review bank reconciliations each month and consider the nature of outstanding reconciling items.

ANTICIPATED COMPLETION DATE OF ALL CORRECTIVE ACTIONS:

December 31, 2014

CITY OF HERMISTON, OREGON

SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS

Year Ended June 30, 2014

QUESTIONED COSTS:

There were no questioned costs for the year ended June 30, 2013.

FINDINGS:

Finding 2013-001

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 is also responsible for recording collections and adjustments to the utility 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 employee preparing and producing bank checks should not also be an authorized check signer or reconcile the bank account.

Corrective action has been taken.

Finding 2013-002

Good accounting controls require reconciling City records to source documents and other expectations to verify completeness and prevent errors. 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. The Court reconciles the beginning balance of fines receivable to its ending balance independently of its computerized recordkeeping system. Adjustments are authorized and monitored by the Judge, but specific records are not available.

Finding 2013-002 was partially corrected. Adjustments for receivables purged as required by statute are presented aggregately, and not specifically listed for the Judge's review.

Finding 2013-003

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

Finding 2013-003 was not corrected. Some grant disbursements were made from City monies other than Oregon Lottery Grant funds without being detected and corrected by City personnel.