

**CITY OF DURHAM  
WASHINGTON COUNTY, OREGON**

**FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2019**



**12700 SW 72<sup>nd</sup> Ave.  
Tigard, OR 97223**

**CITY OF DURHAM  
WASHINGTON COUNTY, OREGON**

**CASH BASIS FINANCIAL STATEMENTS**

**WITH  
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED JUNE 30, 2019**

**\*\*\*\*\***

**CITY OF DURHAM**  
**WASHINGTON COUNTY, OREGON**

2018-2019  
**FINANCIAL REPORT**

<u>CITY COUNCIL</u>	<u>TERM EXPIRES</u>
Gery Schirado, Mayor	December 31, 2022
Chris Hadfield	December 31, 2022
Keith Jehnke	December 31, 2020
Chuck Van Meter	December 31, 2020
Leslie Gifford	December 31, 2020

All council members receive mail at the address shown below.

**ADMINISTRATION**

Linda Tate, City Administrator  
17160 SW Upper Boones Ferry Rd.  
Durham, Oregon 97224

**CITY OF DURHAM**  
**WASHINGTON COUNTY, OREGON**

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**PAULY, ROGERS, AND Co., P.C.**  
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August 26, 2019

Mayor and City Council  
City of Durham  
Washington County, Oregon

## **INDEPENDENT AUDITORS' REPORT**

### Report on the Financial Statements

We have audited the accompanying combined cash basis financial statements of the governmental activities and each major fund of the City of Durham, Washington County, Oregon as of and for the year ended June 30, 2019, 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 the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

### Auditors' 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities and each major fund of the City of Durham, Washington County, Oregon, as of June 30, 2019, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting as described in Note 1 to the financial statements.

## Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

## Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary information, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents are 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 supplementary information, as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## Other Information

The listing of board members containing their term expiration dates, located before the table of contents has 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 it.

## Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated August 26, 2019, on our consideration of 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.



Kenneth Allen, CPA  
Municipal Auditor  
**PAULY, ROGERS AND CO., P.C.**

**CITY OF DURHAM**  
**WASHINGTON COUNTY, OREGON**

**BASIC FINANCIAL STATEMENTS**

**CITY OF DURHAM**  
**WASHINGTON COUNTY, OREGON**

**STATEMENT OF NET POSITION - CASH BASIS**  
**June 30, 2019**

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ASSETS:

Cash and Investments	\$ 2,503,253
Total Assets	<u>\$ 2,503,253</u>
<b>CASH BASIS NET POSITION</b>	
Restricted for:	
Systems Development	\$ 299,032
Transportation Development	17,255
Future Debt Service	-
Unrestricted	<u>2,186,966</u>
Total Cash Basis Net Position	<u>\$ 2,503,253</u>

The accompanying notes are an integral part of this statement.



**CITY OF DURHAM  
WASHINGTON COUNTY, OREGON**

**STATEMENT OF ACTIVITIES - CASH BASIS  
For the Year Ended June 30, 2019**

<u>FUNCTIONS</u>	<u>DISBURSEMENTS</u>	<u>PROGRAM CASH RECEIPTS AND CHARGES FOR SERVICES</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	<u>NET (DISBURSEMENTS) RECEIPTS AND CHANGES IN NET POSITION</u>
General Government	\$ 312,489	\$ 32,080	\$ -	\$ (280,409)
Street	126,330	-	49,976	(76,354)
Parks	56,117	-	-	(56,117)
Debt Service Payments	124,800	-	-	(124,800)
Total Governmental Activities	<u>\$ 619,737</u>	<u>\$ 32,080</u>	<u>\$ 49,976</u>	<u>(537,681)</u>
General Receipts				
Taxes:				
Property Taxes, Levied for General Purposes				103,654
Property Taxes, Levied for Debt Service				136,189
Intergovernmental				212,971
Interest and Investment Earnings				61,867
Miscellaneous				198,720
Total General Receipts				<u>713,401</u>
Changes in Cash Basis Net Position				175,720
Beginning Cash Basis Net Position				<u>2,327,533</u>
Ending Cash Basis Net Position				<u>\$ 2,503,253</u>

The accompanying notes are an integral part of this statement.

**CITY OF DURHAM  
WASHINGTON COUNTY, OREGON**

**BALANCE SHEET - CASH BASIS  
GOVERNMENTAL FUNDS  
June 30, 2019**

	GENERAL FUND	STATE TAX STREET FUND	GREENSPACES FUND	SYSTEMS DEVELOPMENT CHARGE FUND
<b>ASSETS:</b>				
Cash and Investments	\$ 2,503,253	\$ -	\$ -	\$ -
Due from Other Funds	-	1,506,376	10,299	299,032
<b>Total Assets</b>	<b>\$ 2,503,253</b>	<b>\$ 1,506,376</b>	<b>\$ 10,299</b>	<b>\$ 299,032</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Due to Other Funds	\$ 1,832,962	\$ -	\$ -	\$ -
<b>Total Liabilities</b>	<b>1,832,962</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Systems Development	-	-	-	299,032
Transportation Development	-	-	-	-
Future Debt Service	-	-	-	-
<b>Committed</b>				
Greenspace Preservation	-	-	10,299	-
<b>Assigned</b>				
Streets, Sidewalks, and Bike Paths	-	1,506,376	-	-
Unassigned	670,291	-	-	-
<b>Total Fund Balances</b>	<b>670,291</b>	<b>1,506,376</b>	<b>10,299</b>	<b>299,032</b>
<b>Total Liabilities and Fund Balances and Fund Balances</b>	<b>\$ 2,503,253</b>	<b>\$ 1,506,376</b>	<b>\$ 10,299</b>	<b>\$ 299,032</b>

The accompanying notes are an integral part of this statement.

TRANSPORTATION DEVELOPMENT			
TAX FUND	DEBT SERVICE FUND		TOTALS
\$ -	\$ -	\$	2,503,253
17,255	-		1,832,962
<u>\$ 17,255</u>	<u>\$ -</u>	<u>\$</u>	<u>4,336,215</u>
\$ -	\$ -	\$	1,832,962
-	-		1,832,962
-	-		-
-	-		-
-	-		299,032
17,255	-		17,255
-	-		-
-	-		10,299
-	-		1,506,376
-	-		670,291
<u>17,255</u>	<u>-</u>	<u>\$</u>	<u>2,503,253</u>
<u>\$ 17,255</u>	<u>\$ -</u>	<u>\$</u>	<u>4,336,215</u>

The accompanying notes are an integral part of this statement.

**CITY OF DURHAM  
WASHINGTON COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2019**

	GENERAL FUND	STATE TAX STREET FUND	GREENSPACES FUND	SYSTEMS DEVELOPMENT CHARGE FUND
<b>RECEIPTS:</b>				
Property Taxes	\$ 103,654	\$ -	\$ -	\$ -
Intergovernmental	59,166	193,755	-	1,320
Interest	14,051	35,654	298	7,460
Permits and Licenses	30,325	-	-	-
Franchise Fees	159,533	-	-	-
Administrative Fees	1,020	-	-	-
Miscellaneous	14,397	25,274	251	-
<b>Total Receipts</b>	<b>382,146</b>	<b>254,683</b>	<b>549</b>	<b>8,780</b>
<b>DISBURSEMENTS:</b>				
Current:				
Personal Services	141,302	-	-	-
Materials & Services	253,565	33,830	2,000	-
Capital Outlay	-	61,684	-	2,556
Debt Service	-	-	-	-
<b>Total Disbursements</b>	<b>394,867</b>	<b>95,514</b>	<b>2,000</b>	<b>2,556</b>
Excess of Receipts Over, (Under) Disbursements	(12,721)	159,169	(1,451)	6,224
Other Financing Sources, (Uses):				
Transfers In	123,108	-	-	-
Transfers Out	-	(31,000)	(1,300)	(2,700)
<b>Total Other Financing Sources, (Uses)</b>	<b>123,108</b>	<b>(31,000)</b>	<b>(1,300)</b>	<b>(2,700)</b>
Net Change in Cash Basis Fund Balances	110,387	128,169	(2,751)	3,524
Beginning Cash Basis Fund Balance	559,904	1,378,207	13,050	295,508
Ending Cash Basis Fund Balance	<u>\$ 670,291</u>	<u>\$ 1,506,376</u>	<u>\$ 10,299</u>	<u>\$ 299,032</u>

The accompanying notes are an integral part of this statement.

TRANSPORTATION DEVELOPMENT TAX FUND	DEBT SERVICE FUND	TOTALS
\$ -	\$ 136,189	\$ 239,843
8,706	-	262,947
396	4,008	61,867
-	-	30,325
-	-	159,533
-	-	1,020
-	-	39,922
<u>9,102</u>	<u>140,197</u>	<u>795,457</u>
-	-	141,302
-	-	289,395
-	-	64,240
-	124,800	124,800
<u>-</u>	<u>124,800</u>	<u>619,737</u>
<u>9,102</u>	<u>15,397</u>	<u>175,720</u>
-	-	123,108
<u>(500)</u>	<u>(87,608)</u>	<u>(123,108)</u>
<u>(500)</u>	<u>(87,608)</u>	<u>-</u>
8,602	(72,211)	175,720
8,653	72,211	2,327,533
<u>\$ 17,255</u>	<u>\$ -</u>	<u>\$ 2,503,253</u>

The accompanying notes are an integral part of this statement.

**CITY OF DURHAM**  
**WASHINGTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the City have been prepared in conformity with the cash basis of accounting. 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. THE FINANCIAL REPORTING ENTITY**

The City of Durham is a municipal corporation governed by an elected five member council. Accounting principles generally accepted in the United States of America require that these financial statements present the City of Durham (the primary government) and all component units, if any. Component units, as established by the Governmental Accounting Standards Board, are separate organizations that are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The City of Durham has no component units.

The City operates under a charter enacted in 1998. Under the charter, the City is governed by a mayor and four council members who comprise the City Council.

**B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION**

**BASIS OF ACCOUNTING**

The City follows the cash basis of accounting. Under the cash basis of accounting, receipts are recorded when received and disbursements are recorded as paid in cash or by check. Exception to the cash basis is the property taxes uncollected at year-end are shown as a receivable but are not included in receipts, and are offset by a liability entitled deferred property taxes receivable. This basis of accounting is applied to both the government-wide financial statements, and the governmental type fund financial statements uniformly.

This basis of accounting is not equivalent to the generally accepted accounting principles (GAAP) basis of accounting. Under GAAP the fund financial statements require that revenues be recorded as they become susceptible to accrual (i.e. when they become measurable and available) and expenditures recorded as goods and services received. For the government-wide statements GAAP requires that the accrual basis of accounting be applied. Under the accrual basis of accounting the cost of capital assets is capitalized and depreciated over their estimated useful lives, debt is recorded as incurred, revenues are recorded when earned irrespective of the collection of cash, and disbursements, including depreciation, are recorded when incurred. Management believes the cash basis of accounting is preferable for the City due to the City's small size and the necessity of assessing available cash resources. The cash basis of accounting is allowed under Oregon Local Budget Law.

**FUND FINANCIAL STATEMENTS**

The accounts of the City are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum numbers of funds are maintained consistent with legal and managerial requirements.

**CITY OF DURHAM**  
**WASHINGTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. DESCRIPTION OF FUNDS**

The City reports the following major funds:

**GENERAL FUND**

The General Fund accounts for all financial resources and expenditures of the City, except those required to be accounted for in another fund. Its main sources of revenues are local property taxes, intergovernmental receipts, utility franchise fees, and permits.

**GREENSPACES FUND**

This fund was established to account for the monies received, which are committed for the protection of “greenspaces”.

**STATE TAX STREET FUND**

This fund accounts for monies expended for maintenance and improvement of the City's roads and streets. Restricted revenues are State of Oregon and Washington County gasoline taxes.

**SYSTEMS DEVELOPMENT CHARGE FUND**

This fund was established to account for developer charges, which are restricted for the purpose of financing streets, parks and infrastructure improvements and expansion.

**TRANSPORTATION DEVELOPMENT TAX FUND**

This fund accounts for restricted tax revenues received for the purpose of transportation development.

**DEBT SERVICE FUND**

The Debt Service Fund accounts for the payment of principal and interest of the City's general obligation bonds. The principal resource is property taxes which are restricted for bonded debt payments.

**D. BUDGET**

A budget is prepared and legally adopted for each governmental fund type on the cash basis of accounting in the main program categories required by the Oregon Local Budget Law.

The City begins its budget process early in each fiscal year with the establishment of the budget committee. Recommendations are developed through late winter with the budget committee approving the budget in early spring. Public notices of the budget hearing are published generally in early spring with a public hearing being held approximately three weeks later. The Council may amend the budget prior to adoption, however, budgeted expenditures for each fund may not be increased by more than ten percent.

**CITY OF DURHAM**  
**WASHINGTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. BUDGET (CONTINUED)**

The budget is then adopted, appropriations are made and the tax levy declared no later than June 30th. Expenditure budgets are appropriated at the following levels for each fund: Personal Services, Materials and Services, Capital Outlay, Operating Contingency, and Interfund Transactions.

Expenditures cannot legally exceed the above appropriation levels except in the case of grants which could not be estimated at the time of budget adoption. Appropriations lapse at the fiscal year end. Management may amend line items in the budget without Council approval as long as appropriation levels (the legal level of control) are not changed. Supplemental appropriations may occur if the Council approves them due to a need which exists which was not determined at the time the budget was adopted. Budget amounts shown in the Basic Financial Statements reflect the original budget. Disbursements of the various funds were within authorized appropriations.

**E. PROPERTY TAXES**

Property taxes are recorded when received. Real and personal property are assessed and property taxes become a lien against the property as of July 1 of each year. Property taxes are payable in three installments, following the lien date on November 15, February 15, and May 15. Taxes not received by May 15<sup>th</sup> are considered delinquent. As required by law, Washington County manages tax collections for the City. Substantially all taxes receivable are considered collectible through liens on the underlying property.

**F. CAPITAL ASSETS**

Non-expendable equipment purchased is usually recorded as a capital outlay disbursement in the governmental and proprietary funds. The original historical cost of such assets has been estimated or tracked and is recorded by the City, but, under the cash basis of accounting the cost of capital assets of the City are not required to be displayed in the financial statements. The costs of significant betterments to capital assets are similarly recorded as disbursements and not capitalized. Depreciation is not recorded. When assets are donated, the estimated value is used to increase the balances of the capital assets. No receipts or disbursements are recorded since no cash was received or used when assets are donated. Normal repairs and maintenance are charged to disbursements as capital outlay or as materials and services. When property is retired or sold, any related proceeds are recorded in a governmental or proprietary fund.

**G. LONG-TERM DEBT**

Although the cash basis of accounting does not require that debt be displayed, the City believes that presentation of this information is important. Accordingly, the details of debt are presented in these notes to the financial statements.

**H. RETIREMENT PLAN**

Substantially all of the City's employees are participants in the State of Oregon Public Employees Retirement System (PERS). For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense.



**CITY OF DURHAM**  
**WASHINGTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. RETIREMENT PLAN (CONTINUED)**

Information about fiduciary net position of PERS and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of Employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. GASB Statements 68 and 71 have been implemented as of July 1, 2014.

**I. NET POSITION**

Net position is comprised the various net earnings from operations, nonoperating revenues, expenses and contributions of capital, and is classified in the following hierarchy based on the extent to which a government is bound to observe constraints imposed on the use of resources reported in government funds:

Restricted – consists of external constraints placed on asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Restricted resources are spent first when available for use along with resources that are not restricted.

Unrestricted – consists of all remaining assets that have no externally imposed constraints.

**J. FUND EQUITY**

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications – non-spendable, restricted, committed, assigned, and unassigned.

- Non-spendable fund balance represents amounts that are not in a spendable form. The non-spendable fund balance represents inventories and prepaid items.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. The governing body has given this authority to the City Manager.
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

**CITY OF DURHAM**  
**WASHINGTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**J. FUND EQUITY (CONTINUED)**

The governing body has approved the following order of spending regarding fund balance categories: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and unassigned. To preserve a sound financial system and to provide a stable financial base, the governing body has adopted a minimum fund balance policy. That policy is to maintain a General Fund ending fund balance of four months of General Fund expenditures.

**2. CASH AND INVESTMENTS**

State statutes govern the City's cash management policies, because the City does not have an official investment policy. Statutes authorize the City to invest in banker's acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

Investments

Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund's compliance with all portfolio guidelines can be found in their annual report when issued. The LGIP seeks to exchange shares at \$1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool. We intend to measure these investments at book value since it approximates fair value, and since the entity uses the cash basis of accounting. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. The audited financial reports of the Oregon Short Term Fund can be found here: [http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-\(OSTF\).aspx](http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-(OSTF).aspx)

If the link has expired please contact the Oregon Short Term Fund directly.

The City maintains a cash pool that is available for use by all funds. Each fund's portion of this pool is reported on the combined balance sheet as Cash and Investments or amounts Due to/from Other Funds. Cash and Investments (recorded at fair value) consisted of:

Demand Deposits	\$	33,695
Investments		<u>2,469,558</u>
	\$	<u><u>2,503,253</u></u>

**CITY OF DURHAM**  
**WASHINGTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**2. CASH AND INVESTMENTS (CONTINUED)**

The City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in months)</u>	
		<u>Less than 3</u>	<u>More than 3</u>
State Treasurer's Investment Pool	\$ 2,469,558	\$ 2,469,558	\$ -
Total	\$ 2,469,558	\$ 2,469,558	\$ -

**Interest Rate Risk**

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. The City does not have any investments that have a maturity date.

**Credit Risk**

Oregon Revised Statutes does not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE. The State Investment Pool is not rated.

**Concentration of Credit Risk**

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2019, the City's bank balance of \$40,143 was 100% covered by FDIC insurance and therefore was not exposed to custodial credit risk.

**3. PENSION PLAN**

**Plan Description** – The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employer defined benefit plan. All benefits of the system are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Oregon PERS produces an independently audited Comprehensive Annual Financial Report which can be found at:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2018-CAFR.pdf>

If the link is expired please contact Oregon PERS for this information.

- a. **PERS Pension (Chapter 238).** The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.
  - i. **Pension Benefits.** The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, and 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefits results.

**CITY OF DURHAM**  
**WASHINGTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**3. PENSION PLAN (CONTINUED)**

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier 1 general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier 2 members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

- ii. **Death Benefits.** Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following contributions are met:
    - member was employed by PERS employer at the time of death,
    - member died within 120 days after termination of PERS covered employment,
    - member died as a result of injury sustained while employed in a PERS-covered job, or
    - member was on an official leave of absence from a PERS-covered job at the time of death.
  - iii. **Disability Benefits.** A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.
  - iv. **Benefit Changes After Retirement.** Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.
- b. **OPSRP Pension Program (OPSRP DB).** The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.
- i. **Pension Benefits.** This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:  
*Police and fire:* 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.  
*General service:* 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit. A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.
  - ii. **Death Benefits.** Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

**CITY OF DURHAM**  
**WASHINGTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**3. PENSION PLAN (CONTINUED)**

- iii. **Disability Benefits.** A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.
- iv. **Benefit Changes After Retirement.** Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

**Contributions** – PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation, which became effective July 1, 2017. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the year ended June 30, 2019 were \$11,621, excluding amounts to fund employer specific liabilities.

Since the City's financial statements are reported on the cash basis, no amounts are reported on the balance sheet for pension related assets, deferred outflows, liabilities or deferred inflows. Had the City's financial statements been reported in accordance with GAAP, it would have reported a net pension liability of \$142,592 at June 30, 2019 for its proportionate share of the net pension asset. The pension asset was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated December 31, 2016. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. As of the measurement date of June 30, 2018 and 2017, the City's proportion was .001 percent and .001 percent, respectively. Pension expense for the year ended June 30, 2019 was \$17,868.

The rates in effect for the year ended June 30, 2019 were:

- (1) Tier 1/Tier 2 – 19.02%
- (2) OPSRP general services – 11.19%

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated March 4, 2019. Oregon PERS produces an independently audited CAFR which can be found at:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2018-CAFR.pdf>

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

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

**CITY OF DURHAM  
WASHINGTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**3. PENSION PLAN (CONTINUED)**

**Actuarial Methods and Assumptions:**

Valuation date	December 31, 2016 rolled forward to June 30, 2018 measurement date
Experience Study Report	2016, Published July 26, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years
Asset valuation method	Market value of assets
Inflation rate	2.50 percent
Investment rate of return	7.20 percent
Projected salary increase	3.50 percent overall payroll growth
Cost of Living Adjustment	Blend of 2% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision, blend based on service
Mortality	Healthy retirees and beneficiaries: RP-2014 Health annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. Active members: RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. Disabled retirees: RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The method and assumptions shown are based on the 2016 Experience Study which is reviewed for the four-year period ending December 31, 2016.

**Assumed Asset Allocation:**

<b>Asset Class/Strategy</b>	<b>Low Range</b>	<b>High Range</b>	<b>OIC Target</b>
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Real Estate	9.5%	15.5%	12.5%
Private Equity	13.5%	21.5%	17.5%
Alternative Investments	0.0%	12.5%	12.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100%

(Source: June 30, 2018 PERS CAFR; p. 98)

**CITY OF DURHAM  
WASHINGTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**3. PENSION PLAN (CONTINUED)**

**Long-Term Expected Rate of Return:**

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015, revised as of June 7, 2017, the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Compound Annual (Geometric) Return</b>
Core Fixed Income	8.00%	3.49%
Short-term Bonds	8.00%	3.38%
Bank/Leveraged Loans	3.00%	5.09%
High Yield Bonds	1.00%	6.45%
Large/Mid Cap US Equities	15.75%	6.30%
Small Cap US Equities	1.31%	6.69%
Micro Cap US Equities	1.31%	6.80%
Developed Foreign Equities	13.13%	6.71%
Emerging Market Equities	4.13%	7.45%
Non-US Small Cap Equities	1.88%	7.01%
Private Equity	17.50%	7.82%
Real Estate (Property)	10.00%	5.51%
Real Estate (REITS)	2.50%	6.37%
Hedge Fund of Funds - Diversified	2.50%	4.09%
Hedge Fund - Event-driven	0.63%	5.86%
Timber	1.88%	5.62%
Farmland	1.88%	6.15%
Infrastructure	3.75%	6.60%
Commodities	1.88%	3.84%
<i>Assumed Inflation - Mean</i>		2.50%

(Source: June 30, 2018 PERS CAFR; p. 72)

**CITY OF DURHAM**  
**WASHINGTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**3. PENSION PLAN (CONTINUED)**

**Discount Rate** – The discount rate used to measure the total pension liability as of the measurement date of June 30, 2018 and 2017, was 7.20 and 7.50 percent, respectively, for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate – The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate.

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability	\$ 238,297	\$ 142,592	\$ 63,594

**Changes Subsequent to the Measurement Date**

As described above, GASB 67 and GASB 68 require the Total Pension Liability to be determined based on the benefit terms in effect at the Measurement Date. Any changes to benefit terms that occurs after that date are reflected in amounts reported for the subsequent Measurement Date. However, Paragraph 80f of GASB 68 requires employers to briefly describe any changes between the Measurement Date and the employer’s reporting date that are expected to have a significant effect on the employer’s share of the collective Net Pension Liability, along with an estimate of the resulting change, if available.

There are no changes subsequent to the June 30, 2018 Measurement Date that meet this requirement and thus would require a brief description under the GASB standard.

**Deferred Compensation Plan**

A deferred compensation plan is available to employees wherein they may execute an individual agreement with the City for amounts earned by them to not be paid until a future date when certain circumstances are met. These circumstances are: termination by reason of death, disability, resignation, or retirement. Payment to the employee will be made over a period not to exceed 15 years. The deferred compensation plan is one which is authorized under IRC Section 457 and has been approved in its specifics by a private ruling from the Internal Revenue Service. The assets of the plan are held by the administrator for the sole benefit of the plan participants and are not considered assets or liabilities of the City.



**CITY OF DURHAM**  
**WASHINGTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**3. PENSION PLAN (CONTINUED)**

**OPSRP Individual Account Program (OPSRP IAP)**

*Plan Description:*

Employees of the City are provided with pensions through OPERS. All the benefits of OPERS are established by the Oregon legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003. Chapter 238A created the Oregon Public Service Retirement Plan (OPSRP), which consists of the Defined Benefit Pension Program and the Individual Account Program (IAP). Membership includes public employees hired on or after August 29, 2003. PERS members retain their existing defined benefit plan accounts, but member contributions are deposited into the member's IAP account. OPSRP is part of OPERS, and is administered by the OPERS Board.

*Pension Benefits:*

Participants in OPERS defined benefit pension plans also participate in their defined contribution plan. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies. Upon retirement, a member of the OPSRP IAP may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

*Death Benefits:*

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

*Contributions:*

Employees of the City pay six (6) percent of their covered payroll. The City did not make any optional contributions to member IAP accounts for the year ended June 30, 2019.

Additional disclosures related to Oregon PERS not applicable to specific employers are available online, or by contacting PERS at the following address: PO Box 23700 Tigard, OR 97281-3700.

<http://www.oregon.gov/pers/EMP/Pages/GASB.aspx>

**CITY OF DURHAM**  
**WASHINGTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**4. OTHER POST-EMPLOYMENT BENEFIT PLAN - (RHIA)**

**Plan Description:**

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, PO Box 23700, Tigard, OR 97281-3700.

**Funding Policy:**

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 dollars 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 dollars 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 OPERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in OPERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in an OPERS-sponsored health plan. A surviving spouse or dependent of a deceased OPERS 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 OPERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating cities are contractually required to contribute to RHIA at a rate assessed each year by OPERS, and the City currently contributes 0.43% of annual covered OPERF payroll and 0.43% of OPSRP payroll under a contractual requirement in effect until June 30, 2019. The OPERS Board of Trustees sets the employer contribution rates 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, 2017, 2018 and 2019 were \$421, \$425 and \$447, respectively, which equaled the required contributions each year.

Since the City's financial statements are reported on the cash basis, no RHIA related amounts are reported on the balance sheet for pension related assets, deferred outflows, liabilities or deferred inflows.

**5. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The City purchases commercial insurance to minimize its exposure to these risks. Settled claims have not exceeded this commercial coverage for any of the past three years.

**CITY OF DURHAM**  
**WASHINGTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**6. DEBT**

All long-term obligations of the City are payable from the General and Debt Service Funds. The City paid a total of \$4,800 in interest on the General Obligation Bonds at a rate of 4% for the year ended June 30, 2019.

The following changes occurred in the general long-term obligations during the year ended June 30, 2019:

	<u>General Obligation Bonds</u>
Balance, 7/1/18	\$ 120,000
Additions	-
Payments	120,000
Balance, 6/30/2019	<u>\$ -</u>

**7. INTERFUND RECEIVABLES/PAYABLES**

The City uses interfund receivable/payables as a pooling of cash. Amounts are comprised of the following:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ -	\$ 1,832,962
State Tax Street Fund	1,506,376	-
Systems Development Charges Fund	299,032	-
Transportation Development Tax Fund	17,255	-
Special Greenspaces Fund	10,299	-
Debt Service Fund	-	-
Total	<u>\$ 1,832,962</u>	<u>\$ 1,832,962</u>

**8. PROPERTY TAX LIMITATIONS**

The State of Oregon imposes a constitutional limit on property taxes for schools and nonschool government operations. School operations include community colleges, local school districts, and education service districts. The limitation provides that property taxes for nonschool operations are limited to \$10 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt. The State further reduced property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit in 1997.

This reduction is accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The State Constitution sets restrictive voter approval requirements for most tax and many fee increases and new bond issues, and requires the State to minimize the impact to school districts from the impact of the tax cuts.

**CITY OF DURHAM**  
**WASHINGTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**9. INTERFUND TRANSFERS**

The following interfund transfers occurred during fiscal year 2018-2019 (all transfers are normal operating transfers):

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 123,108	\$ -
State Tax Street Fund	-	31,000
Systems Development Charge Fund	-	2,700
Transportation Development Tax Fund	-	500
Special Greenspaces Fund	-	1,300
Debt Service Fund	-	87,608
	<hr/>	<hr/>
Total	\$ 123,108	\$ 123,108

Transfers are made to fund operations between funds.

**CITY OF DURHAM  
WASHINGTON COUNTY, OREGON**

**SUPPLEMENTARY INFORMATION**

Combining, Individual Fund,  
And Other Financial Statements

**CITY OF DURHAM  
WASHINGTON COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2019**

<b>GENERAL FUND</b>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
<b>RECEIPTS:</b>				
Property Taxes	\$ 96,894	\$ 96,894	\$ 103,654	\$ 6,760
Interest	5,335	5,335	14,051	8,716
Building Department	2,000	2,000	1,755	(245)
Permits & Licenses	24,000	24,000	30,325	6,325
Franchise Fees	152,700	152,700	159,533	6,833
State Revenue Sharing	17,992	17,992	16,779	(1,213)
Cigarette Tax	2,275	2,275	2,160	(115)
Liquor Tax	34,535	34,535	33,075	(1,460)
Administrative Fees	100	100	1,020	920
Marijuana Tax	4,719	4,719	5,397	678
Grants	-	-	-	-
Miscellaneous	-	-	14,397	14,397
	<u>340,550</u>	<u>340,550</u>	<u>382,146</u>	<u>41,596</u>
<b>DISBURSEMENTS:</b>				
Personal Services:				
Salaries	104,010	104,010	104,110	(100)
Payroll Taxes	9,410	9,410	9,392	18
Fringe Benefits	30,479	30,479	27,275	3,204
Workers Comp Ins	600	600	525	75
	<u>144,499</u>	<u>144,499</u>	<u>141,302</u>	<u>3,197</u>
Materials and Services:				
Office Supplies & Expenses	3,000	3,000	2,004	996
Equipment Operation and Maintenance	1,100	1,100	-	1,100
Publication and Notices	750	750	278	472
Dues and Subscriptions	2,748	2,748	4,454	(1,706)
Conferences and Education	3,000	3,000	1,806	1,194
Automobile Expenses	1,000	1,000	882	118
9-1-1 Monies	11,384	11,384	11,384	-
Professional Services	60,000	60,000	36,500	23,500
Police Contract	135,280	135,280	135,280	-
Planning	10,000	10,000	-	10,000
Audit and Accounting Fees	15,400	15,400	14,925	475

(1) Appropriation Level

Continued on page 20b

**CITY OF DURHAM  
WASHINGTON COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2019**

	<u>GENERAL FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
Insurances	\$ 3,325	\$ 3,325	\$ 3,105	\$ 220
City Hall - Rent	10,200	10,200	10,200	-
City Hall - Utilities	4,750	4,750	4,098	652
City Hall - Maintenance	1,000	1,000	-	1,000
Park Maintenance & Utilities	37,400	37,400	25,857	11,543
Security - Honeywell	450	450	440	10
Contributions	1,700	1,700	1,700	-
Newsletter	600	600	519	81
Miscellaneous	1,600	1,600	57	1,543
Bond Refunding	400	400	-	400
Meals and Entertainment	600	600	76	524
	<u>305,687</u>	<u>305,687</u>	<u>253,565</u>	<u>52,122</u>
Total Materials & Services		(1)		
Contingencies	<u>35,000</u>	<u>35,000</u>	<u>-</u>	<u>35,000</u>
		(1)		
Total Disbursements	<u>485,186</u>	<u>485,186</u>	<u>394,867</u>	<u>90,319</u>
Excess of Receipts Over, (Under) Disbursements	(144,636)	(144,636)	(12,721)	131,915
Other Financing Sources, (Uses):				
Transfers In	<u>35,500</u>	<u>35,500</u>	<u>123,108</u>	<u>87,608</u>
Total Other Financing Sources, (Uses)	<u>35,500</u>	<u>35,500</u>	<u>123,108</u>	<u>87,608</u>
Net Change in Cash Basis Fund Balance	(109,136)	(109,136)	110,387	219,523
Beginning Cash Basis Fund Balance	<u>534,527</u>	<u>534,527</u>	<u>559,904</u>	<u>25,377</u>
Ending Cash Basis Fund Balance	<u>\$ 425,391</u>	<u>\$ 425,391</u>	<u>\$ 670,291</u>	<u>\$ 244,900</u>

(1) Appropriation Level

Continued from page 22a

**CITY OF DURHAM  
WASHINGTON COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2019**

	<u>STATE TAX STREET FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
<b>RECEIPTS:</b>				
Intergovernmental:				
State Gas Tax	\$ 121,473	\$ 121,473	\$ 136,924	\$ 15,451
Washington County Gas Tax	7,000	7,000	6,855	(145)
Bike Path	1,227	1,227	-	(1,227)
ODOT Grant	50,000	50,000	49,976	(24)
Other Sources:				
Miscellaneous	30,000	30,000	25,274	(4,726)
Interest	16,000	16,000	35,654	19,654
<b>Total Receipts</b>	<u>225,700</u>	<u>225,700</u>	<u>254,683</u>	<u>28,983</u>
<b>DISBURSEMENTS:</b>				
Materials and Services:				
Utilities Expense	-	-	-	-
Street Maintenance/Repair	52,000	52,000	3,212	48,788
Street Lights	13,000	13,000	11,204	1,796
Street Signs	2,000	2,000	360	1,640
Bike Paths	50,000	50,000	18,390	31,610
Planning Expense	65,000	65,000	641	64,359
Miscellaneous	-	-	23	(23)
<b>Total Materials &amp; Services</b>	<u>182,000</u>	<u>182,000</u>	<u>33,830</u> (1)	<u>148,170</u>
Capital Outlay:				
Street Projects	450,000	450,000	13,053	436,947
Sidewalks & Paths	100,000	100,000	-	100,000
ODOT Grant	50,000	50,000	48,631	1,369
<b>Total Capital Outlay</b>	<u>600,000</u>	<u>600,000</u>	<u>61,684</u> (1)	<u>538,316</u>
Contingencies	35,000	35,000	-	35,000
<b>Total Disbursements</b>	<u>817,000</u>	<u>817,000</u>	<u>95,514</u>	<u>721,486</u>
Excess of Receipts Over, (Under) Disbursements	(591,300)	(591,300)	159,169	750,469
Other Financing Sources, (Uses):				
Transfers Out	(31,000)	(31,000)	(31,000)	-
<b>Total Other Financing Sources, (Uses)</b>	<u>(31,000)</u>	<u>(31,000)</u>	<u>(31,000)</u>	<u>-</u>
Net Change in Cash Basis Fund Balance	(622,300)	(622,300)	128,169	750,469
Beginning Cash Basis Fund Balance	1,347,297	1,347,297	1,378,207	30,910
Ending Cash Basis Fund Balance	<u>\$ 724,997</u>	<u>\$ 724,997</u>	<u>\$ 1,506,376</u>	<u>\$ 781,379</u>

(1) Appropriation Level



**CITY OF DURHAM  
WASHINGTON COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2019**

	<b><u>GREENSPACES FUND</u></b>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
<b>RECEIPTS:</b>				
Local:				
Interest	\$ 275	\$ 275	\$ 298	\$ 23
Miscellaneous	-	-	251	251
Total Receipts	<u>275</u>	<u>275</u>	<u>549</u>	<u>274</u>
<b>DISBURSEMENTS:</b>				
Materials and Services	6,000	6,000 (1)	2,000	4,000
Capital Outlay	10,000	10,000 (1)	-	10,000
Total Disbursements	<u>16,000</u>	<u>16,000</u>	<u>2,000</u>	<u>14,000</u>
Excess of Receipts Over, (Under) Disbursements	<u>(15,725)</u>	<u>(15,725)</u>	<u>(1,451)</u>	<u>14,274</u>
<b>Other Financing Sources, (Uses):</b>				
Transfers Out	(1,300)	(1,300) (1)	(1,300)	-
Total Other Financing Sources, (Uses)	<u>(1,300)</u>	<u>(1,300)</u>	<u>(1,300)</u>	<u>-</u>
Net Change in Cash Basis Fund Balance	(17,025)	(17,025)	(2,751)	14,274
Beginning Cash Basis Fund Balance	<u>17,541</u>	<u>17,541</u>	<u>13,050</u>	<u>(4,491)</u>
Ending Cash Basis Fund Balance	<u><u>\$ 516</u></u>	<u><u>\$ 516</u></u>	<u><u>\$ 10,299</u></u>	<u><u>\$ 9,783</u></u>

(1) Appropriation Level

**CITY OF DURHAM  
WASHINGTON COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2019**

<b><u>SYSTEMS DEVELOPMENT CHARGE FUND</u></b>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
<b>RECEIPTS:</b>				
Development Charges - Parks	\$ 1,320	\$ 1,320	\$ 1,320	\$ -
Interest - Streets	-	-	-	-
Interest - Parks	4,500	4,500	7,460	2,960
<b>Total Receipts</b>	<b>5,820</b>	<b>5,820</b>	<b>8,780</b>	<b>2,960</b>
<b>DISBURSEMENTS:</b>				
Materials & Services	10,000	10,000 (1)	-	10,000
Capital Outlay	100,000	100,000 (1)	2,556	97,444
Contingencies	16,500	16,500 (1)	-	16,500
<b>Total Disbursements</b>	<b>126,500</b>	<b>126,500</b>	<b>2,556</b>	<b>123,944</b>
Excess of Receipts Over, (Under) Disbursements	(120,680)	(120,680)	6,224	126,904
<b>Other Financing Sources, (Uses):</b>				
Transfers Out	(2,700)	(2,700) (1)	(2,700)	-
<b>Total Other Financing Sources, (Uses)</b>	<b>(2,700)</b>	<b>(2,700)</b>	<b>(2,700)</b>	<b>-</b>
Net Change in Cash Basis Fund Balance	(123,380)	(123,380)	3,524	126,904
Beginning Cash Basis Fund Balance	295,366	295,366	295,508	142
Ending Cash Basis Fund Balance	<u>\$ 171,986</u>	<u>\$ 171,986</u>	<u>\$ 299,032</u>	<u>\$ 127,046</u>

(1) Appropriation Level

**CITY OF DURHAM  
WASHINGTON COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2019**

**TRANSPORTATION DEVELOPMENT TAX FUND**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
RECEIPTS:				
Development Charges	\$ 8,706	\$ 8,706	\$ 8,706	\$ -
Interest	140	140	396	256
Total Receipts	<u>8,846</u>	<u>8,846</u>	<u>9,102</u>	<u>256</u>
Excess of Receipts Over, (Under) Disbursements	8,846	8,846	9,102	256
Other Financing Sources, (Uses):				
Transfers Out	<u>(500)</u>	<u>(500) (1)</u>	<u>(500)</u>	<u>-</u>
Total Other Financing Sources, (Uses)	<u>(500)</u>	<u>(500)</u>	<u>(500)</u>	<u>-</u>
Net Change in Cash Basis Fund Balance	8,346	8,346	8,602	256
Beginning Cash Basis Fund Balance	<u>17,098</u>	<u>17,098</u>	<u>8,653</u>	<u>(8,445)</u>
Ending Cash Basis Fund Balance	<u><u>\$ 25,444</u></u>	<u><u>\$ 25,444</u></u>	<u><u>\$ 17,255</u></u>	<u><u>\$ (8,189)</u></u>

(1) Appropriation Level

**CITY OF DURHAM  
WASHINGTON COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2019**

<b><u>DEBT SERVICE FUND</u></b>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
<b>RECEIPTS:</b>				
Taxes	\$ 126,300	\$ 126,300	\$ 136,189	\$ 9,889
Interest	1,100	1,100	4,008	2,908
Total Receipts	<u>127,400</u>	<u>127,400</u>	<u>140,197</u>	<u>12,797</u>
<b>DISBURSEMENTS:</b>				
Debt Service	<u>124,800</u>	<u>124,800</u>	<u>124,800</u>	<u>-</u>
Total Disbursements	<u>124,800</u>	<u>124,800</u>	<u>124,800</u>	<u>-</u>
Excess of Receipts Over, (Under) Disbursements	2,600	2,600	15,397	12,797
<b>Other Financing Sources, (Uses):</b>				
Transfers Out	<u>-</u>	<u>(87,608) (1)</u>	<u>(87,608)</u>	<u>-</u>
Total Other Financing Sources, (Uses)	<u>-</u>	<u>(87,608)</u>	<u>(87,608)</u>	<u>-</u>
Net Change in Cash Basis Fund Balance	2,600	(85,008)	(72,211)	12,797
Beginning Cash Basis Fund Balance	<u>65,599</u>	<u>65,599</u>	<u>72,211</u>	<u>6,612</u>
Ending Cash Basis Fund Balance	<u>\$ 68,199</u>	<u>\$ (19,409)</u>	<u>\$ -</u>	<u>\$ 19,409</u>

(1) Appropriation Level

**CITY OF DURHAM**  
**WASHINGTON COUNTY, OREGON**

**SUPPLEMENTARY INFORMATION**  
**For the fiscal year ended June 30, 2019**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Year Ended June 30,	(a) Employer's proportion of the net pension liability (NPL)	(b) Employer's proportionate share of the net pension liability (NPL)	(c) Employer's covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2019	0.0009 %	\$ 142,592	\$ 96,015	148.5 %	82.1 %
2018	0.0008 %	\$ 118,611	\$ 93,593	126.7 %	83.1 %
2017	0.0008 %	\$ 120,986	\$ 86,586	139.7 %	80.5 %
2016	0.000 %	\$ 26,404	\$ 93,652	28.2 %	91.9 %
2015	0.001 %	\$ (26,978)	\$ 94,550	(28.5) %	103.6 %
2014	0.001 %	\$ 60,738	\$ 94,880	64.0 %	92.0 %

The amounts presented for each fiscal year were actuarial determined at 12/31 and rolled forward to the measurement date.

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

**SCHEDULE OF CONTRIBUTIONS**

Year	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2019	\$ 11,621	\$ 11,621	\$ -	\$ 104,110	11.2 %
2018	\$ 11,061	\$ 11,061	\$ -	\$ 96,015	11.5 %
2017	\$ 5,094	\$ 5,094	\$ -	\$ 93,593	5.4 %
2016	\$ 4,708	\$ 4,708	\$ -	\$ 86,586	5.4 %
2015	\$ 7,317	\$ 7,317	\$ -	\$ 93,652	7.8 %
2014	\$ 7,300	\$ 7,300	\$ -	\$ 94,550	7.7 %

The amounts presented for each fiscal year were actuarial determined at 12/31 and rolled forward to the measurement date.

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

**CITY OF DURHAM**  
**WASHINGTON COUNTY, OREGON**

**2018-2019 INDEPENDENT AUDITORS'**  
**COMMENTS AND DISCLOSURES**



**PAULY, ROGERS, AND Co., P.C.**  
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### **Independent Auditors' Report Required by Oregon State Regulations**

We have audited the basic financial statements of the City of Durham as of and for the year ended June 30, 2019, and have issued our report thereon dated August 26, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

#### **Compliance**

As part of obtaining reasonable assurance about whether the City of Durham'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, our audit was not directed primarily toward obtaining knowledge of such noncompliance. As such, 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:

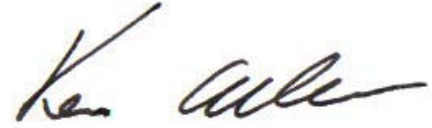
- **Deposit of public funds with financial institutions (ORS Chapter 295)**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Highway revenues used for public highways, roads, 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 Durham 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.

#### **OAR 162-10-0230 Internal Control**

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

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

A handwritten signature in black ink, appearing to read "Ken Allen". The signature is fluid and cursive, with a large initial "K" and "A".

Kenneth Allen, CPA  
Municipal Auditor  
**PAULY, ROGERS AND CO., P.C.**