

TUALATIN DEVELOPMENT COMMISSION COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the Fiscal Year Ended June 30, 2010



**CITY OF TUALATIN, OREGON
DEVELOPMENT COMMISSION
AUDITOR'S REPORT AND
FINANCIAL STATEMENTS
Year Ended June 30, 2010**

Prepared by the City of Tualatin - Department of Finance

Don Hudson, Finance Director

CITY OF TUALATIN DEVELOPMENT COMMISSION
(A Component Unit of the City of Tualatin, Oregon)
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INTRODUCTORY SECTION

CITY OF TUALATIN DEVELOPMENT COMMISSION
(A Component Unit of the City of Tualatin, Oregon)

<u><i>Commissioners</i></u>	<u><i>Term Expires</i></u>
Lou Ogden, Mayor	December 31, 2010
Jay Harris, Position No. 1	December 31, 2010
Monique Belkman, Position No. 2	December 31, 2012
Donna Maddux, Position No. 3	December 31, 2010
Ed Truax, Position No. 4	December 31, 2012
Chris Barhyte, Council President, Position No. 5	December 31, 2010
Joelle Davis, Position No. 6	December 31, 2012

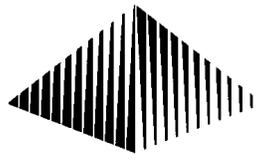
Administrative

Sherilyn Lombos, Administrator
Brenda Braden, City Attorney
Don Hudson, Finance Director

City Hall
18880 S. W. Martinazzi Avenue
Tualatin, Oregon 97062

Commission members may be contacted at the above City Hall address.

FINANCIAL SECTION



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Tualatin Development Commission
18880 SW Martinazzi Avenue
Tualatin, Oregon 97062-0369

We have audited the accompanying financial statements of the governmental activities and each major fund of Tualatin Development Commission (a component unit of the City of Tualatin) as of and for the year ended June 30, 2010, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly and in all material respects, the respective financial position of the governmental activities and each major fund of Tualatin Development Commission as of June 30, 2010, the respective changes in financial position and the respective budgetary comparisons for the Urban Redevelopment Administration Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tualatin Development Commission's basic financial statements as a whole. The individual fund financial statements and other financial schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The other financial schedules 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.

*GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS*

By: 
Charles A. Swank, A Shareholder
December 30, 2010

Management's Discussion and Analysis

As management of the Tualatin Development Commission, we include this narrative presenting an overview and analysis of the financial activities of the Tualatin Development Commission for the fiscal year ended June 30, 2010.

The purpose of this presentation is to comply with changes in governmental accounting standards (most notable, Governmental Accounting Standards Board Statement No. 34). These changes were implemented to aid users of governmental financial statements in more easily judging the overall financial position and activities of the government as a whole.

Financial Highlights

- The assets of the Tualatin Development Commission exceeded its liabilities at the close of the most recent fiscal year by \$47,825,787 . Of this amount \$334,254 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net assets of the Tualatin Development Commission increased by \$4,246,510 in 2010. Revenues were less in 2010 as compared to 2009; the change in net assets is primarily due to the decrease in transfers to the City in 2010.
- At the end of the 2010 fiscal year, unreserved fund balance for the Urban Redevelopment Administration Fund is \$334,254 as compared to \$295,731 in 2009.
- The Tualatin Development Commission total debt for bonds, leases and loans decreased by \$1,000,000 in 2010. The decrease of debt is the result of payments on debt.

Overview of Financial Statements

These financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Fund Financial Statements

Fund financial statements focus on the most significant funds rather than the Commission as a whole. A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The use of fund financial statements is directly related to the budgeting process because some revenues are legally earmarked for specific kinds of expenditures. Fund financial statements ensure and demonstrate compliance with finance-related laws and regulations.

In addition, the total amount of the budgeted appropriations for expenditures is considered in terms of the revenue available to fund the expenditures and the type of expenditures competing for the same dollars.

Notes to the Financial Statements

The notes to the financial statements are an integral part of the financial statements. These notes not only provide additional detail, but also are required to fully understand the financial data as presented, as well as the financial condition of the Tualatin Development Commission as a whole. The notes offer information not only to lay readers and citizens, but also to those interested in a detailed study of the Commission's financial operations.

Government-wide Financial Statements

Fund financial statements report short-term accountability focusing on the use of spendable resources and balances of spendable resources at year-end. These statements could not be used as a barometer to measure the performance of the government as a whole. The government-wide financial statements were designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business.

These statements provide both long-term and short-term information about the Commission's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This statement presents information on all of the Tualatin Development Commission's assets and liabilities, with the difference between the two reported as *net assets*. In other words, this statement compares what the government *owns* to what it *owes* and, although there are differences and qualifiers, it is a loose parallel to what average citizens understand as "owners equity" or "net worth".

Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the commission is improving or deteriorating. Other factors being equal, the extent by which assets exceed liabilities is a cushion to be called upon during stressful economic times. Evaluation of the overall health of the Agency would extend to other non-financial factors such as the condition of Agency infrastructure, in addition to the other financial information provided in this report.

The second government-wide statement is the Statement of Activities, which presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the changes occurs, regardless of the timing of related cash flows.

Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused vacation leave). The obvious advantage to such an approach is to nurture a long-term prospective by emphasizing the effects that yearly budget decisions have on long-term goals.

The government-wide financial statements distinguish functions of Tualatin Development Commission which are principally supported by taxes and intergovernmental revenues (*governmental activities*).

There are no proprietary funds, or funds which are expected to recover all, or a significant portion of their costs through user fees and charges (*business-type activities*). Governmental activities at the Tualatin Development Commission include the identification of, planning of, and financing of urban renewal projects, which enhance the City of Tualatin and make it a better place to live.

The Tualatin Development Commission is considered a blended *component unit* and, in substance, is part of the City's operations, although it is a legally separate entity. Financial statements of the City can be obtained from the Finance department of the City of Tualatin, at 18880 S.W. Martinazzi Avenue, Tualatin, Oregon, 97062.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows* and *outflows*. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information, presented for *governmental funds*, with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Tualatin Development Commission consists of five funds: the Urban Redevelopment Administration Fund, the Central Urban Renewal District Project Fund, the Central Urban Renewal District Bond Fund, the Leveton Tax Increment District Project Fund, and the Leveton Tax Increment District Bond Fund. All are government funds; the Urban Redevelopment Administration Fund is considered a special revenue fund, the two project funds are capital project funds that account for the urban renewal expenditures for construction of various projects and the two bond funds account for debt used to fund projects.

	<i>June 30,</i>	
	<u>2010</u>	<u>2009</u>
Assets:		
Current and other assets	\$ 18,177,549	\$ 17,251,863
Capital assets, net	31,887,301	27,775,332
	<hr/>	<hr/>
Total assets	50,064,850	45,027,195
Liabilities:		
Long-term liabilities	-	1,000,000
Other liabilities	2,239,063	447,918
	<hr/>	<hr/>
Total liabilities	2,239,063	1,447,918
Net Assets:		
Invested in capital assets, net of related debt	31,887,301	26,775,332
Restricted	15,604,232	16,508,214
Unrestricted	334,254	295,731
	<hr/>	<hr/>
Total net assets	<u>\$ 47,825,787</u>	<u>\$ 43,579,277</u>

Net assets may serve over time as a useful indicator of a government’s financial position. In the case of the Tualatin Development Commission, assets exceed liabilities by \$47,825,787 at the end of the most recent fiscal year. The largest portion of the Commission’s net assets reflects the investment in capital assets (e.g., buildings and land). The Commission develops these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Capital Assets Reporting and Activity During the Year

It is the purpose of the Tualatin Development Commission to develop and build capital assets for the City of Tualatin; they are legally deeded to the City upon completion and therefore are not intended to be permanent assets of the Commission.

Resources to pay debt must come from tax increment dollars since capital assets themselves cannot be used to liquidate liabilities for the Commission or the City. Note F in the notes to the Financial Statement section contains the capital asset activity for the year. All urban renewal districts have a defined life and are ended when the urban renewal projects are finished.

Capital activity for urban renewal is confined to the two areas of the City represented by the two urban renewal districts – Central Urban Renewal (downtown area) and the Leveton District (industrial area). \$434,810 was spent in the Central Urban Renewal District during 2009-2010, primarily related to the joint project to create quiet zones within Tualatin with Tri-Met. Design work continued for the Tualatin-Sherwood Road landscape project and continues into 2010-2011, with construction scheduled to begin in 2011. The project will provide pedestrian enhancements and landscape improvements between east of Martinazzi Avenue to Boones Ferry Road.

In the Leveton Tax Increment District, \$4,401,789 was expended for the extension of 124th Avenue from Myslony Street to Tualatin-Sherwood Road, design and improvements for Herman Road from 108th Avenue to 124th Avenue, and design and right-of-way acquisition for the Leveton Drive Extension project including SW 130th Avenue and SW 128th Avenue. These projects continue improvements of the transportation system in the industrial area of Tualatin consistent with the plan.

Traditionally, state and local governments have not been required to report general infrastructure assets (e.g., roads, bridges) in their financial statements. This followed the line of thought that governments used their infrastructure for operations, to sell them would in effect “put the government out of business” and that these assets were only usable to the government and therefore, not saleable.

With the move to a more private-sector-like focus for all activities in government-wide financial statements, the importance of capital assets including infrastructure was recognized, as was its reporting.

The cost of infrastructure represents the largest cost of all tangible assets, has a direct relationship on safety and quality of life, and is considered the most basic of all requirements for civilized society - it is little wonder its importance has emerged as a measure of financial viability.

The importance of urban renewal as a vehicle to improve infrastructure cannot be underestimated. Improving infrastructure is an immense problem for cities to accomplish without the help of an urban renewal agency. The reasons are many:

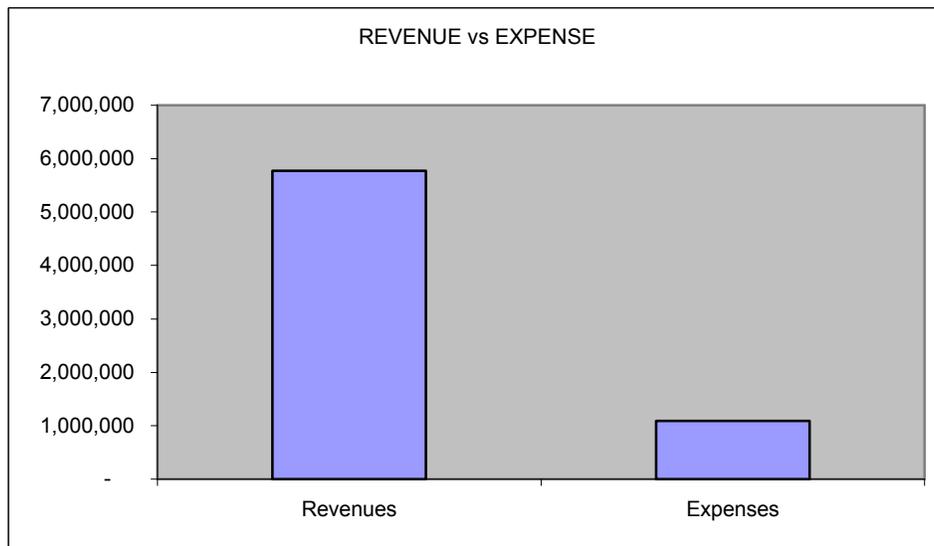
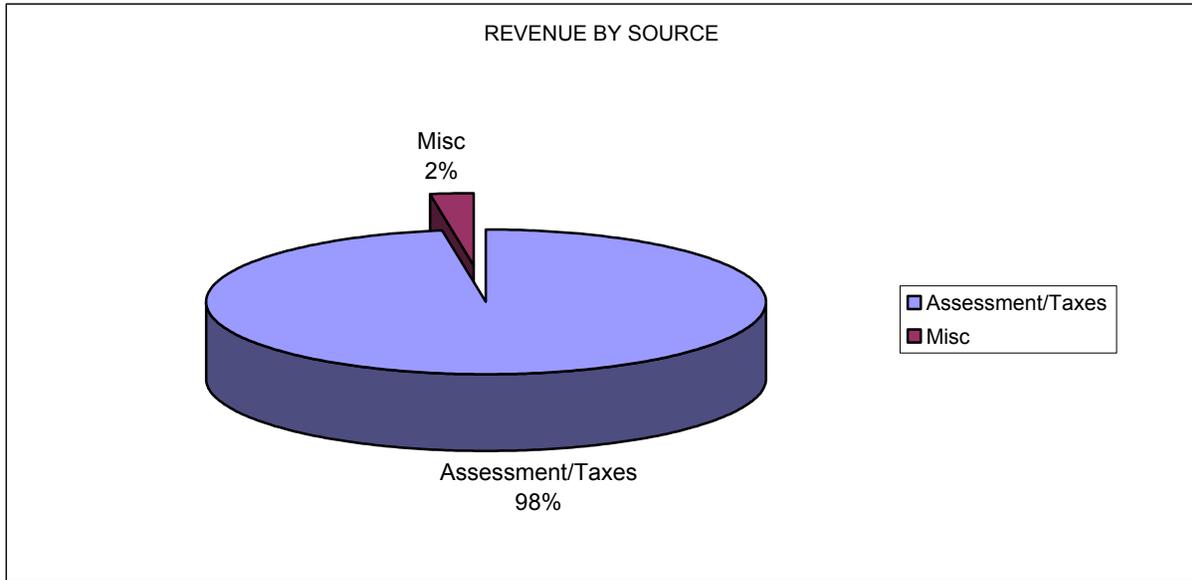
- Such projects, however necessary, translate into a drain on current, often inadequate resources, and are more likely to be clearly understood by the taxpayer as an increase in taxes for the same services.
- Urban renewal agencies’ projects are more clearly seen by citizens as “an improvement” for the future.
- Urban Renewal personnel develop an expertise resulting in efficiencies difficult to achieve for those that it is not a day-to-day vocation.
- Urban Renewal projects often result in upgrades that would not have been addressed until years later, were they not contiguous to an urban renewal project.
- Funding of Urban Renewal projects is separate from, and earmarked for, capital improvements.

	<i>Year Ended June 30,</i>	
	<u>2010</u>	<u>2009</u>
Revenues:		
Taxes and assessments	\$ 5,634,460	\$ 5,470,255
Miscellaneous	141,824	421,494
	<hr/>	<hr/>
Total revenues	5,776,284	5,891,749
Expenses:		
General government	346,791	1,036,141
Interest on long-term debt	29,687	58,309
	<hr/>	<hr/>
Total expenses	1,089,423	1,094,450
	<hr/>	<hr/>
Revenue less expenses	4,686,861	4,797,299
Transfers	(440,351)	(444,724)
	<hr/>	<hr/>
Change in net assets	4,246,510	4,352,575
Net Assets - beginning of the year	43,579,277	39,226,702
	<hr/>	<hr/>
Net Assets - ending of the year	<u>\$ 47,825,787</u>	<u>\$ 43,579,277</u>

Summary of Revenues and Expenses by Source

During 2009-2010 the following notable factors concerning revenues and expenditures are demonstrated in the statement of activities:

- Taxes and assessments are responsible for the overwhelming share of revenues. Total revenues were \$5,776,284, with taxes and assessments representing \$5,634,460 or 0.98 percent of the revenue. Tax increment revenues represent growth in taxable valuation from a predetermined frozen base.
- Expenditures for 2009-10 were \$1,087,659, of which \$29,687 was attributed to interest payments on the long-term debt.



Significant Differences in Variations in Revenues & Expenditures and Differences Between Actual & Budgeted Figures

The Central Urban Renewal Project Fund ended with an ending balance of \$4,233,184, down from a beginning balance of \$4,431,873. This change is primarily because of capital expenditures in the fund and transfers out to other funds.

The fund balance in the Leveton Tax District Project decreased in 2010 to \$8,216,430 from \$10,432,970 in 2009. As Leveton Tax Increment District is approaching the end of improvements to this area of the City, the rate of expenditures has slowed. All excess funds are retained in the project fund rather than the Leveton Bond Fund at the advice of counsel. When the District improvements are completed, any remaining funds will be returned to the assessor’s office in accordance with Oregon law.

Discussion of Significant Changes in Individual Fund Balances

The purpose of the Tualatin Development Commission is to build projects that revitalize areas of the city that are specified in the Leveton and Central Urban Renewal District Plans. Tax increment revenues pay for these projects. Tax increment revenues are received in the bond funds and used to pay principal and interest on the debt financing the construction in the project funds. It is necessary that balances in the bond funds remain large enough to pay all principal and provide for any reserves required by bond indentures or loan agreements. However, any funds above these requirements are moved to the project funds for project construction.

The ending fund balance in the Central Urban Renewal Bond Fund is lower in 2010 than it was in 2009 for several reasons:

- It is the policy of the commission to retain as little cash as necessary to pay current debt service and provide adequate reserves to meet bond covenant requirements and maintain financial prudence. The purpose of the capital raised by the issuance of debt is to provide for the urban renewal development, which are budgeted and paid for from the commission’s project funds.
- There are legal ramifications in Oregon for holding excess cash in urban renewal bond funds. Stated broadly, if too much cash is accumulated in an urban renewal bond fund, the commission can be pressed into paying off outstanding debt and ending the relevant urban renewal district.

Debt Administration

Bond activity for the Tualatin Development Commission is illustrated below:

	<u><i>Beginning Balance</i></u>	<u><i>Additions</i></u>	<u><i>Reductions</i></u>	<u><i>Ending Balance</i></u>	<u><i>Due Within One Year</i></u>
Leveton Intermediate Financing, Series 2003	\$ 730,000	\$ -	\$ (730,000)	\$ -	\$ -
Central Urban Renewal, Series B 2004	270,000	-	(270,000)	-	-
Short-term bonds	-	3,127,398	(3,127,398)	-	-
Total	<u>\$ 1,000,000</u>	<u>\$ 3,127,398</u>	<u>\$ (4,127,398)</u>	<u>\$ -</u>	<u>\$ -</u>

Significant factors in long-term debt activity include the following:

- The Development Commission continues to use short-term bonds to move funds to the project funds. These bonds are sold and redeemed within a few days. The proceeds of the bonds are recorded in the project funds (Central Urban Renewal Project Fund and Leveton Tax Increment Project Fund).
- The payments for principal, interest and cost of issuance are recorded in the bond funds (Central Urban Renewal Bond fund and Leveton Bond Fund). In 2009-10, Central Urban Renewal sold and redeemed one short-term bond for \$622,489 and one for Leveton in the amount of \$2,504,909. There is no liability on the books for such bonds at year-end.

Economic Factors and Next Year's Budget

The City of Tualatin is approaching residential build-out. However, in the near term, this is not a problem since other development produces greater revenue in relation to the services required. High-end retail development has been stimulated by Bridgepoint Village, a 100,000 square foot lifestyle retail center.

Request for information

This financial report is designed to provide a general overview of the City of Tualatin Development Commission's financial activities and position.

Questions concerning any of the information provided in this report or a request for additional financial information should be addressed to the Finance Director, City of Tualatin, 18880 S.W. Martinazzi Avenue, Tualatin, Oregon, 97092-7092.

BASIC FINANCIAL STATEMENTS

CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
STATEMENT OF NET ASSETS
JUNE 30, 2010

ASSETS

Cash and investments	\$ 17,911,206
Property taxes receivable	266,343
Capital assets	
Land	8,736,438
Construction in progress	12,382,513
Infrastructure and other depreciable assets	14,717,797
Accumulated depreciation	(3,949,447)
	<hr/>
<i>Total Capital Assets</i>	31,887,301
	<hr/>
<i>Total Assets</i>	50,064,850

LIABILITIES

Accounts payable	633,458
Deposits	60,000
Due to City of Tualatin	1,398,800
Retainage payable	146,805
	<hr/>
<i>Total Liabilities</i>	2,239,063
	<hr/>

NET ASSETS

Invested in capital, net of related debt	31,887,301
Restricted for debt service	3,154,618
Restricted for capital projects	12,449,614
Unrestricted	334,254
	<hr/>
<i>Total Net Assets</i>	\$47,825,787
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

Governmental Expenses:

General government	\$	346,791
Interest on long-term debt		29,687
Depreciation		712,945

Total Governmental Expenses 1,089,423

General Revenues:

Taxes and assessments		5,634,460
Miscellaneous		141,824

Total General Revenues 5,776,284

Transfers to the City of Tualatin, net (440,351)

Change in net assets 4,246,510

Net assets, beginning of year 43,579,277

Net assets, end of year \$ 47,825,787

The accompanying notes are an integral part of the financial statements.

GOVERNMENTAL FUND FINANCIAL STATEMENTS
MAJOR GOVERNMENTAL FUNDS

Urban Redevelopment Administration Fund - accounts for the financial operations of the Commission that are not accounted for in any other fund. Principal source of revenue is interest from investments.

Central Urban Renewal District Bond Fund - accounts for property taxes received within the Central Urban Renewal area for the payment of principal and interest on the Commission's tax increment debt.

Leveton Tax Increment District Bond Fund - accounts for property taxes received within the Leveton Urban Renewal area for the payment of principal and interest on the Commission's tax increment debt.

Central Urban Renewal District Project Fund - accounts for resources provided from the sale of tax increment bonds and interest earnings used for the acquisition and construction of capital assets within the Central Urban Renewal Agency's boundary and payment of nonbonded indebtedness.

Leveton Tax Increment District Project Fund - accounts for the proceeds of tax or construction increment bonds which are used for the acquisition and construction of capital assets within the Urban Renewal District.

CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010

	<i>Urban Redevelopment Administration</i>	<i>Central Urban Renewal District Bond</i>	<i>Leveton Tax Increment District Bond</i>
ASSETS			
Cash and investments	\$ 343,374	\$ 1,789,761	\$ 1,160,200
Property taxes receivable	-	105,944	160,399
Land	-	-	-
Construction in progress	-	-	-
Infrastructure	-	-	-
Accumulated depreciation	-	-	-
<i>Total Assets</i>	<u>\$ 343,374</u>	<u>\$ 1,895,705</u>	<u>\$ 1,320,599</u>
LIABILITIES			
Accounts payable	\$ 1,195	\$ 843	\$ 843
Deposits	-	60,000	-
Due to City of Tualatin	7,925	-	-
Retainage payable	-	-	-
Deferred revenue	-	105,944	160,399
<i>Total Liabilities</i>	9,120	166,787	161,242
FUND BALANCES			
Unreserved, reported in			
General fund	334,254	-	-
Debt service funds	-	1,728,918	1,159,357
Capital projects funds	-	-	-
Net assets	-	-	-
<i>Total Fund Balances</i>	<u>334,254</u>	<u>1,728,918</u>	<u>1,159,357</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 343,374</u>	<u>\$ 1,895,705</u>	<u>\$ 1,320,599</u>

<i>Central Urban Renewal District Project</i>	<i>Leveton Tax Increment District Project</i>	<i>Total</i>	<i>Adjustments</i>	<i>Statement of Net Assets</i>
\$ 6,001,389	\$ 8,616,482	\$ 17,911,206	\$ -	\$ 17,911,206
-	-	266,343	-	266,343
-	-	-	8,736,438	8,736,438
-	-	-	12,382,513	12,382,513
-	-	-	14,717,797	14,717,797
-	-	-	(3,949,447)	(3,949,447)
<u>\$ 6,001,389</u>	<u>\$ 8,616,482</u>	<u>\$ 18,177,549</u>	<u>\$ 31,887,301</u>	<u>\$ 50,064,850</u>
\$ 377,330	\$ 253,247	\$ 633,458	\$ -	\$ 633,458
-	-	60,000	-	60,000
1,390,875	-	1,398,800	-	1,398,800
-	146,805	146,805	-	146,805
-	-	266,343	(266,343)	-
<u>1,768,205</u>	<u>400,052</u>	<u>2,505,406</u>	<u>(266,343)</u>	<u>2,239,063</u>
-	-	334,254	(334,254)	-
-	-	2,888,275	(2,888,275)	-
4,233,184	8,216,430	12,449,614	(12,449,614)	-
-	-	-	47,825,787	47,825,787
<u>4,233,184</u>	<u>8,216,430</u>	<u>15,672,143</u>	<u>32,153,644</u>	<u>47,825,787</u>
<u>\$ 6,001,389</u>	<u>\$ 8,616,482</u>	<u>\$ 18,177,549</u>	<u>\$ 31,887,301</u>	<u>\$ 50,064,850</u>

The accompanying notes are an integral part of the financial statements.

CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
 RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2010

Fund Balances \$ 15,672,143

Amounts reported in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in funds.

Land	8,736,438
Construction in progress	12,382,513
Infrastructure and other depreciable assets	14,717,797
Accumulated depreciation	(3,949,447)

Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred revenue in the funds	266,343
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<i>Net Assets</i>	\$ 47,825,787
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CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2010

	Urban Redevelopment Administration	Central Urban Renewal District Bond	Leveton Tax Increment District Bond
REVENUES			
Taxes and assessments	\$ -	\$ 2,223,030	\$ 3,365,650
Miscellaneous	2,372	18,694	28,512
<i>Total Revenues</i>	2,372	2,241,724	3,394,162
EXPENDITURES			
Current			
General government	274,288	6,667	6,667
Debt service			
Principal	-	892,489	3,234,909
Interest	-	8,291	21,396
Capital outlay	-	-	-
Depreciation	-	-	-
<i>Total Expenditures</i>	274,288	907,447	3,262,972
REVENUES OVER (UNDER) EXPENDITURES	(271,916)	1,334,277	131,190
OTHER FINANCING SOURCES (USES)			
Issuance of short-term debt	-	-	-
Transfers in	512,775	-	-
Transfers out	(202,336)	-	-
<i>Total Other Financing Sources (Uses)</i>	310,439	-	-
NET CHANGE IN FUND BALANCE	38,523	1,334,277	131,190
Fund balance / net assets			
Beginning of the year	295,731	394,641	1,028,167
End of the year	\$ 334,254	\$ 1,728,918	\$ 1,159,357

<i>Central Urban Renewal District Project</i>	<i>Leveton Tax Increment District Project</i>	<i>Total Governmental Funds</i>	<i>Adjustments</i>	<i>Statement of Activities</i>
\$ -	\$ -	\$ 5,588,680	\$ 45,780	\$ 5,634,460
28,891	63,355	141,824	-	141,824
28,891	63,355	5,730,504	45,780	5,776,284
47,484	-	335,106		335,106
-	-	4,127,398	(4,127,398)	-
-	-	29,687	-	29,687
434,810	4,401,789	4,836,599	(4,824,914)	11,685
-	-	-	712,945	712,945
482,294	4,401,789	9,328,790	(8,239,367)	1,089,423
(453,403)	(4,338,434)	(3,598,286)	8,285,147	4,686,861
622,489	2,504,909	3,127,398	(3,127,398)	-
-	-	512,775	-	512,775
(367,775)	(383,015)	(953,126)	-	(953,126)
254,714	2,121,894	2,687,047	(3,127,398)	(440,351)
(198,689)	(2,216,540)	(911,239)	5,157,749	4,246,510
4,431,873	10,432,970	16,583,382	26,995,895	43,579,277
\$ 4,233,184	\$ 8,216,430	\$ 15,672,143	\$ 32,153,644	\$ 47,825,787

The accompanying notes are an integral part of the financial statements.

CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCE TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2010

Net Change in Fund Balance \$ (911,239)

Amounts reported in the Statement of Activities are different because:

Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred revenue in the funds. This adjustment reflects the change in the deferred revenue.

Taxes and assessments 45,780

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of assets is allocated over their estimated useful lives, and reported as depreciation.

Capital outlay 4,824,914
 Depreciation expense (712,945)

The issuance of long-term debt provides resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

Payments of long-term debt 1,000,000

Change in Net Assets \$4,246,510

The accompanying notes are an integral part of the financial statements.

CITY OF TUALATIN DEVELOPMENT COMMISSION

THE URBAN RENEWAL AGENCY OF THE CITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND

ACTUAL – URBAN REDEVELOPMENT ADMINISTRATION FUND

YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ 2,785	\$ 2,785	\$ 2,372	\$ (413)
EXPENDITURES				
Personal services	237,077	238,077	234,385	3,692
Materials and services	54,301	54,301	39,903	14,398
Contingency	300,373	299,373	-	299,373
<i>Total Expenditures</i>	<u>591,751</u>	<u>591,751</u>	<u>274,288</u>	<u>317,463</u>
REVENUES OVER (UNDER) EXPENDITURES	(588,966)	(588,966)	(271,916)	317,050
OTHER FINANCING SOURCES (USES)				
Transfers in	512,775	512,775	512,775	-
Transfers out	(202,336)	(202,336)	(202,336)	-
<i>Total Other Financing Sources (Uses)</i>	<u>310,439</u>	<u>310,439</u>	<u>310,439</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(278,527)	(278,527)	38,523	317,050
BEGINNING FUND BALANCE	<u>278,527</u>	<u>278,527</u>	<u>295,731</u>	<u>17,204</u>
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 334,254</u>	<u>\$ 334,254</u>

The accompanying notes are an integral part of the financial statements.

CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Financial Reporting Entity

These financial statements present the City of Tualatin Development Commission - The Urban Renewal Commission of the City (the Commission), a component unit of the City of Tualatin, Oregon. The Commission was established on September 23, 1974, to provide for rehabilitation of blighted and deteriorated areas within the City's designated urban renewal area. The City Council of the City of Tualatin is the governing body of the Commission. The Commission is considered a blended component unit and, in substance, is part of the City's operations, although it is a legally separate entity.

2. Government-wide and fund financial statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities report information on all of the activities of the Commission). For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

3. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgment, are recorded only when payment is due.

The Commission reports the following major governmental funds:

- Urban Redevelopment Administration Fund
- Central Urban Renewal District Bond Fund
- Leveton Tax Increment District Bond Fund
- Central Urban Renewal District Project Fund
- Leveton Tax Increment District Project Fund

CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2010

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Measurement focus, basis of accounting, and financial statement presentation (continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

4. Cash and Investments

The Commission maintains a cash and investment pool with the City of Tualatin that is available for use by all funds. Interest earned on pooled investments is allocated to funds based on the pro-rata amount each fund has in the pool. Each fund type's portion of this pool is displayed on the combined balance sheet as Cash and Investments.

State statutes authorize the Commission to invest in general obligations of the United States and its agencies, certain debt of Oregon municipalities, time deposits, savings accounts, certificates of deposits, bankers' acceptances, the Oregon State Treasurer's Investment Pool and certain highly rated commercial paper. Investments are stated at fair value.

5. Property Taxes Receivable

In the governmental fund financial statements, property taxes receivable, which have been collected within sixty days subsequent to year-end, are considered measurable and available and are recognized as revenues. All other property taxes receivable are offset by deferred property tax revenue and, accordingly, have not been recorded as revenue. The property tax calendar is as follows:

Lien	July 1
Levy	July 1
First installment	November 15
Second installment	February 15
Third installment	May 15

6. Receivables and Payables

Activity between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds (i.e., the current portion of interfund loans or "advances to/from other funds)". Activity between Tualatin Development Commission and other governments are entitled "due to/from other governments.

7. Prepaid Items

Payments made to vendors that will benefit periods beyond June 30, 2010, are recorded as prepaid items.

8. Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, pathways, street lights, etc.) are reported in the applicable governmental columns in the government-wide financial statements. In the governmental fund statements, capital assets are charged to expenditures as purchased. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value as of the date of the donations.

CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
 NOTES TO FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2010

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Capital Assets (continued)

Capital assets are defined by the Commission as assets with an initial, individual cost of \$5,000 or more, and an estimated useful life of greater than one year. Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation on exhaustible assets is recorded as allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets and is provided on the straight-line basis over the following estimated useful life:

Assets	Years
Buildings and improvements	25-40
Improvements other than buildings	10-30
Machinery and equipment	5-10
Infrastructure	20-40

9. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities. Bond premium and discounts are defined and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses.

10. Fund Equity

Fund balance - in the governmental fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

11. Uses of Estimates

In preparing the Commission's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimated.

CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
 NOTES TO FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2010

NOTE B - BUDGETARY COMPLIANCE ACCOUNTING

1. Budgetary Information

A budget is prepared for each governmental fund in accordance with the legal requirements as set forth in the Oregon Local Budget Law.

The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The level of budgetary control is established by budget category (Personal Services, Materials and Services, Capital Outlay, etc.) in all funds. The legal level of control is as shown on the budget to actual schedules. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publication in newspapers and approval by the Board of Commissioners. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control as approved by the Board of Commissioners. Commission management is authorized to make any changes to the budget within each organizational unit. Appropriations lapse as of year-end.

2. Basis of Accounting

The budgets for the governmental fund types are prepared in accordance with modified accrual basis of accounting excluding capitalized lease proceeds and related capital outlay.

NOTE C - CASH AND INVESTMENTS

Cash and investments consisted of the following:

<i>Cash</i>	
Petty cash	\$ 200
Cash with county	26,539
Deposits with financial institutions	(24,327)
<i>Investments</i>	
Local Government Investment Pool	17,908,794
	<u>\$ 17,911,206</u>

Deposits

At June 30, 2010, the Commission's deposits with various financial institutions had a bank value of \$22,396. All deposits not covered by FDIC insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon.

Investments

At year-end, all of the Commission's investments were in the Local Government Investment Pool, an external investment pool. The Commission may make investments outside the pool at times. A written policy is in place that specifies the following goals and procedures: preservation of capital and protection of principal; conformance with federal, state and legal requirements; maintenance of sufficient liquidity to meet operating requirements; avoidance of imprudent credit, market and speculative risk, and attainment of a market rate of return. This policy has not been adopted as yet by the Board of Commissioners.

CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2010

NOTE C - CASH AND INVESTMENTS (Continued)

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the Commission's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the Commission's deposits with financial institutions up to \$250,000 each for the aggregate of all non-interest bearing accounts and the aggregate of all interest bearing accounts at each institution. Deposits in excess of FDIC coverage are with institutions participating in the Oregon Public Funds Collateralization Program. The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities. As of June 30, 2010, none of the Commission's bank balances were exposed to custodial credit risk.

Credit Risk

State statutes authorize the Commission to invest primarily in general obligations of the U. S. Government and its agencies, bankers' acceptances, certain higher grade commercial papers, certain bonded obligations of Oregon municipalities, bank repurchase agreements, and the State Treasurer's investment pool, among others.

The State of Oregon Local Government Investment Pool (LGIP) is not registered with the U. S. Securities and Exchange Commission as an investment company. Oregon Revised Statutes and the Oregon Investment Council govern the Pool's investment policies.

The State Treasurer is the investment officer for the pool and is responsible for its funds. These funds must be invested and the investment managed as a prudent investor would, exercising reasonable care, skill and caution.

Investments in the LGIP are further governed by portfolio guidelines issued by the Oregon Short-term Funds Board, which establish diversification percentages and specify the types and maturities of investments. The Oregon Audits Division of the Secretary of State's Office audits the Pool on a yearly basis and for the year ended June 30, 2010, was unqualified. The LGIP is not subject to credit rating.

Interest Rate Risk

The Commission's investment policy limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates. Investments in the LGIP are available upon demand (one day).

CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
 NOTES TO FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2010

NOTE D – PROPERTY TAX RECEIVABLES

Receivables at June 30, 2010, consist of the following:

Central Urban Renewal District Bond Fund	\$ 105,944
Leveton Tax Increment Bond Fund	160,399
	<u>266,343</u>
	<u>\$ 266,343</u>

Governmental funds reported deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

Central Urban Renewal District Bond Fund	\$ 105,944
Leveton Tax Increment Bond Fund	160,399
	<u>266,343</u>
	<u>\$ 266,343</u>

NOTE E - INTERFUND TRANSFERS

All interfund transfers were part of routine transactions. Amounts for interfund transfers are comprised of the following:

	<u>Transfers in</u>	<u>Transfers out</u>
Urban Redevelopment Administration	\$ 512,775	\$ 202,336
Central Urban Projects	-	367,775
Leveton Tax Projects	-	383,015
Less: transfers to the City of Tualatin	-	(440,351)
	<u>\$ 512,775</u>	<u>\$ 512,775</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
 NOTES TO FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2010

NOTE F - CAPITAL ASSETS

Capital asset activity for the ended June 30, 2010, was as follows:

	<i>Beginning Balance</i>	<i>Additions/ Adjustments</i>	<i>Deletions</i>	<i>Ending Balance</i>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 7,685,052	\$ 1,051,386	\$ -	\$ 8,736,438
Construction in progress	8,608,985	3,802,223	(28,695)	12,382,513
<i>Total capital assets, not being depreciated</i>	16,294,037	4,853,609	(28,695)	21,118,951
Capital assets, being depreciated:				
Improvements other than buildings	1,376,429		-	1,376,429
Infrastructure	13,341,368	-	-	13,341,368
	14,717,797	-	-	14,717,797
Less accumulated depreciation for:				
Infrastructure and other assets	(3,236,502)	(712,945)	-	(3,949,447)
<i>Total capital assets, being depreciated net</i>	11,481,295	(712,945)	-	10,768,350
<i>Governmental activities capital assets, net</i>	<u>\$ 27,775,332</u>	<u>\$ 4,140,664</u>	<u>\$ (28,695)</u>	<u>\$ 31,887,301</u>

NOTE G - LONG-TERM DEBT

Urban renewal and redevelopment bond

Central Urban Renewal bonds include the 2004 Bond which consisted of two parts: Part A refunded the 1987 Bond which paid for land acquisition, relocation and clearance for the town center. This bond reached maturity in June 2007. Part B, the 2004 Project Bond, financed Boones Ferry Phase 1, utility underground, transportation, and streetscape improvements. This bond was paid off in the current year.

The Leveton District includes the Intermediate Financing (original amount of \$4,085,000). The bond had an interest rate of 2.9% and final maturity in June 2010. The proceeds from this financing were used for improvements of infrastructure at 124th from S.W. Leveton to S.W. Myslony.

CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
 NOTES TO FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2010

NOTE G - LONG-TERM DEBT (Continued)

Urban renewal and redevelopment bond (Continued)

Long-term liability activity for the year ended June 30, 2010, was as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending Balance</i>	<i>Due Within One Year</i>
Leveton Intermediate					
Financing, Series 2003	\$ 730,000	\$ -	\$ (730,000)	\$ -	\$ -
Central Urban Renewal, Series B 2004	270,000	-	(270,000)	-	-
Short-term bonds	-	3,127,398	(3,127,398)	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 1,000,000</u>	<u>\$ 3,127,398</u>	<u>\$ (4,127,398)</u>	<u>\$ -</u>	<u>\$ -</u>

Short-term bonds

The Commission, by state law, is financed with property tax increment revenues, and the projects within them are limited by a cap on the amount of debt that can be issued. Many urban renewal agencies in Oregon issue long-term debt in the amount of the cap, and construct improvements over a short period of time. The improvements generate additional 'tax-increment' property tax revenues in future periods which provide the resources necessary to repay the debt. The debt issued is reported in the governmental funds as a resource in the 'other financing sources' section of the statement of revenues, expenditures and changes in fund balance. Reporting the debt issued as an 'other financing source' provides the necessary reporting for state law purposes of the amount of debt issued to show legal compliance with the urban renewal district's debt issuance limit.

The Commission, among many other urban renewal districts in Oregon, chooses to construct projects in phases over several years as opposed to constructing nearly all projects at one time. As a result, the Commission issues several small bonds in amounts sufficient to cover each phase of construction. The Commission is fortunate to already have sufficient tax increment revenues to repay these small bond issuances annually. To take advantage of significant interest cost reductions, the Commission issues short-term 'du-jour' bonds and redeems them within days of issuance. Since it is the Commission's option to issue long-term or short-term debt, and given the need to provide a reporting mechanism of all debt issued up to the state legal debt issuance limit, the Commission believes it is appropriate to report the short-term debt issuances within the 'other financing sources' section in the governmental fund statement of revenues, expenditures and changes in fund balance.

CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2010

NOTE H - COMMITMENTS AND CONTINGENCIES

The Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Commission carries commercial insurance. There have been no settlements in excess of insurance coverage for the year ended June 30, 2010.

The Commission is a defendant in various pending litigation proceedings. Management believes any losses arising from these actions will not materially affect the Commission's financial position.

The Commission had approximately \$2,000,000 of commitments for unfinished capital projects at June 30, 2010.

NOTE I - CONSTITUTIONAL PROPERTY TAX LIMITATION

The State of Oregon has a constitutional limit on property taxes for governmental operations. Under the limit, tax revenues are separated into those for public schools and those for other local governments. The limitation specifies a maximum rate for local government operations of \$10.00 per \$1,000 of real market value. Local government taxes in the Commission currently do not exceed the \$10.00 rate limit; however; this limitation may affect the availability of future tax revenues for the Commission.

In May of 1997, the voters approved Measure 50 which rolled back assessed values to 90 percent of 1995-96 levels and limits future increases to 3 percent, except for major improvements. Tax rates are now fixed and not subject to change. Oregon Ballot Measure 56 repealed the double majority requirement passed by voters in the 1990's which required, for non-general elections, that all bond measures could pass only when a majority of those registered voted. Voters may approve local initiatives above the fixed rate and they shall be decided by a majority of voters who are voting in the relevant election.

GASB PRONOUNCEMENTS ISSUED, NOT YET IN EFFECT

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have future effective dates that may impact future financial presentations.

Management has not currently determined what, if any, impact implementation of the following statements may have on future financial statements.

GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions", issued February, 2009 will be effective for the Commission beginning with its fiscal year ending June 30, 2011. The Statement establishes new classifications for fund equity and new definitions for governmental fund types.

SUBSEQUENT EVENTS

The Commission adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 165, "Subsequent Events" (ASC 855). ASC 855 establishes new accounting and disclosure requirements for subsequent events. Management has evaluated subsequent events through December 30, 2010, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

BUDGETARY COMPARISON SCHEDULES STATEMENTS

Pursuant to the provision of Oregon Revised Statute 297.465, Oregon Administrative Rule No. 162-040-0130, *Minimum Standards for Audits of Oregon Municipal Corporations*, requires an individual schedule of revenues, expenditures/expenses and changes in fund balances/net assets, budget and actual be displayed for each fund where legally adopted budgets are required.

In accordance with GASB Statement No. 34, the Commission's General Fund and any major special revenue funds are presented as the third of the basic government fund financial statements. All other fund budgetary comparisons are displayed in the following pages as supplemental information.

***SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS***

Debt Service Funds

- * Central Urban Renewal District Bond Fund
- * Leveton Tax Increment District Bond Fund

Capital Project Funds

- * Central Urban Renewal District Project Fund
- * Leveton Tax Increment District Project Fund

CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - CENTRAL URBAN RENEWAL DISTRICT BOND FUND
 YEAR ENDED JUNE 30, 2010

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 2,540,000	\$ 2,540,000	\$ 2,223,030	\$ (316,970)
Miscellaneous	7,137	7,137	18,694	11,557
<i>Total Revenues</i>	<u>2,547,137</u>	<u>2,547,137</u>	<u>2,241,724</u>	<u>(305,413)</u>
EXPENDITURES				
Materials and services	7,200	7,200	6,667	533
Debt service				
Principal	2,964,395	2,964,395	892,489	2,071,906
Interest	9,235	9,235	8,291	944
<i>Total Expenditures</i>	<u>2,980,830</u>	<u>2,980,830</u>	<u>907,447</u>	<u>2,073,383</u>
NET CHANGE IN FUND BALANCE	<u>(433,693)</u>	<u>(433,693)</u>	<u>1,334,277</u>	<u>1,767,970</u>
BEGINNING FUND BALANCE	<u>433,693</u>	<u>433,693</u>	<u>394,641</u>	<u>(39,052)</u>
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,728,918</u>	<u>\$ 1,728,918</u>

CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - LEVETON TAX INCREMENT DISTRICT BOND FUND
 YEAR ENDED JUNE 30, 2010

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 3,444,000	\$ 3,444,000	\$ 3,365,650	\$ (78,350)
Miscellaneous	13,722	13,722	28,512	14,790
<i>Total Revenues</i>	<u>3,457,722</u>	<u>3,457,722</u>	<u>3,394,162</u>	<u>(63,560)</u>
EXPENDITURES				
Materials and services	9,000	9,000	6,667	2,333
Debt service				
Principal	3,234,909	3,234,909	3,234,909	-
Interest	21,670	21,670	21,396	274
<i>Total Expenditures</i>	<u>4,039,284</u>	<u>4,039,284</u>	<u>3,262,972</u>	<u>776,312</u>
NET CHANGE IN FUND BALANCE	(581,562)	(581,562)	131,190	712,752
BEGINNING FUND BALANCE	<u>1,022,150</u>	<u>1,022,150</u>	<u>1,028,167</u>	<u>6,017</u>
ENDING FUND BALANCE	<u><u>\$ 440,588</u></u>	<u><u>\$ 440,588</u></u>	<u><u>\$ 1,159,357</u></u>	<u><u>\$ 718,769</u></u>

CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - CENTRAL URBAN RENEWAL DISTRICT PROJECT FUND
 YEAR ENDED JUNE 30, 2010

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 40,618	\$ 40,618	\$ 28,891	\$ (11,727)
EXPENDITURES				
Materials and services	111,000	111,000	47,484	63,516
Capital outlay	4,099,000	4,099,000	434,810	3,664,190
Contingency	100,000	100,000	-	100,000
<i>Total Expenditures</i>	<u>4,310,000</u>	<u>4,310,000</u>	<u>482,294</u>	<u>3,827,706</u>
REVENUES OVER (UNDER) EXPENDITURES	(4,269,382)	(4,269,382)	(453,403)	3,815,979
OTHER FINANCING SOURCES (USES)				
Issuance of debt	2,694,395	2,694,395	622,489	(2,071,906)
Transfers out	(367,775)	(367,775)	(367,775)	-
<i>Total Other Financing Sources (Uses)</i>	<u>2,326,620</u>	<u>2,326,620</u>	<u>254,714</u>	<u>(2,071,906)</u>
NET CHANGE IN FUND BALANCE	(1,942,762)	(1,942,762)	(198,689)	1,744,073
BEGINNING FUND BALANCE	<u>4,180,754</u>	<u>4,180,754</u>	<u>4,431,873</u>	<u>251,119</u>
ENDING FUND BALANCE	<u><u>\$ 2,237,992</u></u>	<u><u>\$ 2,237,992</u></u>	<u><u>\$ 4,233,184</u></u>	<u><u>\$ 1,995,192</u></u>

CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - LEVETON TAX INCREMENT DISTRICT PROJECT FUND
 YEAR ENDED JUNE 30, 2010

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 89,211	\$ 89,211	\$ 63,355	\$ (25,856)
EXPENDITURES				
Materials and services	10,000	10,000	-	10,000
Capital outlay	7,213,250	7,213,250	4,401,789	2,811,461
Contingency	400,000	400,000	-	400,000
<i>Total Expenditures</i>	<u>7,623,250</u>	<u>7,623,250</u>	<u>4,401,789</u>	<u>3,221,461</u>
REVENUES OVER (UNDER) EXPENDITURES	(7,534,039)	(7,534,039)	(4,338,434)	3,195,605
OTHER FINANCING SOURCES (USES)				
Issuance of debt	2,504,909	2,504,909	2,504,909	-
Transfers out	(383,015)	(383,015)	(383,015)	-
<i>Total Other Financing Sources (Uses)</i>	<u>2,121,894</u>	<u>2,121,894</u>	<u>2,121,894</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(5,412,145)	(5,412,145)	(2,216,540)	3,195,605
BEGINNING FUND BALANCE	<u>9,648,935</u>	<u>9,648,935</u>	<u>10,432,970</u>	<u>784,035</u>
ENDING FUND BALANCE	<u>\$ 4,236,790</u>	<u>\$ 4,236,790</u>	<u>\$ 8,216,430</u>	<u>\$ 3,979,640</u>

OTHER FINANCIAL SCHEDULES

CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES OF TAXES UNCOLLECTED
JUNE 30, 2010

<u>Tax Year</u>	<u>Uncollected July 1, 2009</u>	<u>Levy as Extended by Assessor</u>	<u>Discounts</u>	<u>Interest</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Uncollected June 30, 2010</u>
Current:							
2009-10	\$ -	\$ 5,814,379	\$ (145,767)	\$ 2,081	\$ (18,028)	\$ (5,487,084)	\$ 165,581
Prior years:							
2008-09	177,689		197	6,959	(9,322)	(110,981)	64,542
2007-08	47,125	-	74	3,772	(3,765)	(23,317)	23,889
2006-07	17,476	-	28	2,816	(1,780)	(12,145)	6,395
2005-06	5,236	-	22	1,116	(767)	(4,030)	1,577
2004-05	2,385	-	17	251	(729)	(316)	1,608
Prior	3,630	-	9	171	(688)	(371)	2,751
	<u>253,541</u>	<u>-</u>	<u>347</u>	<u>15,085</u>	<u>(17,051)</u>	<u>(151,160)</u>	<u>100,762</u>
	<u>\$ 253,541</u>	<u>\$ 5,814,379</u>	<u>\$ (145,420)</u>	<u>\$ 17,166</u>	<u>\$ (35,079)</u>	<u>\$ (5,638,244)</u>	<u>\$ 266,343</u>

**REPORTS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
OTHER FINANCIAL SCHEDULES**



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
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(503) 581-7788

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
City of Tualatin Development Commission
Tualatin, Oregon

We have audited the basic financial statements of the City of Tualatin Development Commission as of and for the year ended June 30, 2010, and have issued our report thereon dated December 30, 2010. 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 Tualatin Development Commission'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 Commission 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 Commission'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 Commission's internal control over

financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

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 significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

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 significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or 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 did not identify any deficiencies in internal control that we consider to be material weaknesses.

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

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 

Charles A. Swank, A Shareholder
December 30, 2010