

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2008

**CITY OF TUALATIN, OREGON
DEVELOPMENT COMMISSION
AUDITOR'S REPORT AND
FINANCIAL STATEMENTS
Year Ended June 30, 2008**

Prepared by the City of Tualatin - Department of Finance

Don Hudson, Finance Director

City of Tualatin
DEVELOPMENT COMMISSION
AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
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INTRODUCTORY SECTION

CITY OF TUALATIN, OREGON

JUNE 30, 2008

CITY COUNCIL

TERM EXPIRES

Lou Ogden, Mayor

December 31, 2010

Jay Harris, Position No. 1

December 31, 2010

Monique Beikman, Position No. 2

December 31, 2008

Donna Maddux, Position No. 3

December 31, 2010

Ed Truax, Council President, Position No. 4

December 31, 2008

Chris Barhyte, Position No. 5

December 31, 2010

Bob Boryska, Position No. 6

December 31, 2008

ADMINISTRATIVE

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

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

City Council 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 as of and for the year ended June 30, 2008, 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.

As discussed in the summary of significant account policies in the notes to the financial statements, these financial statements present only the financial position and results of operations of the Tualatin Development Commission, and are not intended to present the financial position and results of operations of the City of Tualatin, Oregon.

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, 2008 and the respective changes in financial position and the respective budgetary comparisons for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures that consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The other supplementary information in the table of contents is presented for purposes of additional analysis

and is not a required part of the basic financial statements of the Commission. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

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

By: 

Charles A. Swank, A Shareholder
December 26, 2008

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, 2008.

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 \$39,951,912. Of this amount \$259,111 (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 \$517,457 in 2008. Revenues were greater in 2008 as compared to 2007; the change in net assets is primarily due to the increase in transfers to the City in 2008.
- At the end of the 2008 fiscal year, unreserved fund balance for the General Fund is \$259,111 as compared to \$280,517 in 2007.
- The Tualatin Development Commission total debt for bonds, leases and loans decreased from \$3,030,000 in 2007 to \$1,970,000 in 2008. 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 General Fund (which is known within the City as the Urban Renewal 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 General 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.

**CITY OF TUALATIN
DEVELOPMENT COMMISSION
NET ASSETS**

	<u>June 30,</u>	
	<u>2008</u>	<u>2007</u>
Assets:		
Current and other assets	\$ 19,370,126	\$ 19,305,861
Capital assets	<u>24,341,228</u>	<u>23,360,161</u>
Total assets	43,711,354	42,666,022
Liabilities:		
Long-term liabilities outstanding	1,970,000	3,030,000
Other liabilities	<u>1,789,442</u>	<u>201,567</u>
Total liabilities	3,759,442	3,231,567
Net Assets:		
Invested in capital assets, net of related debt	22,371,228	20,330,161
Restricted	17,321,573	18,823,777
Unrestricted	<u>259,111</u>	<u>280,517</u>
Total net assets	<u><u>\$ 39,951,912</u></u>	<u><u>\$ 39,434,455</u></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 \$39,951,912 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). \$310,628 was spent in the Central Urban Renewal District during 2007-2008 for Commuter Rail, Tualatin West Commons, Green Parking Lot Expansion and Boones Ferry Road Phases 1 and 2. The rail station will consist of a shelter, benches, bike facilities and public art. As part of the Washington County Commuter Rail Line, it will serve the Interstate Five and Highway 217 Corridor and connect with the Tri-Met MAX light rail at Beaverton into Portland and will be constructed in 2007-08.

Boones Ferry Road Phase 1 and 2 improvements enhanced the transportation and pedestrian systems along with the streetscape aesthetics between Martinazzi Avenue and Tualatin-Sherwood Road. The projects included widening the roadway, pedestrian sidewalks, street lighting, street trees and underground utilities. During the fiscal year, \$39,765 was expended for these projects.

In the Leveton Tax Increment District, \$369,450 was expended designing for the extension of 124th Avenue from Myslony Street to Tualatin-Sherwood Road. Another project was widening 124th northbound from Tualatin Road to Highway 99. \$56,700 was expended for this project. Design and improvements for Herman Road from 108th Avenue to 124th commenced during the fiscal year expending \$703,014. These three 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.

**CITY OF TUALATIN
DEVELOPMENT COMMISSION
STATEMENT OF ACTIVITIES**

	<u>Year Ended June 30,</u>	
	<u>2008</u>	<u>2007</u>
Revenues:		
Taxes and assessments	\$ 5,376,473	\$ 5,244,296
Miscellaneous	<u>964,583</u>	<u>984,611</u>
Total revenues	6,341,056	6,228,907
Expenses:		
General government	1,161,594	943,759
Interest on long-term debt	<u>89,454</u>	<u>122,004</u>
Total expenses	<u>1,251,048</u>	<u>1,065,763</u>
Revenue less expenses	5,090,008	5,163,144
Transfers	<u>(4,572,551)</u>	<u>(509,947)</u>
Change in net assets	517,457	4,653,197
Net Assets - beginning of the year	<u>39,434,455</u>	<u>34,781,258</u>
Net Assets - ending of the year	<u><u>\$ 39,951,912</u></u>	<u><u>\$ 39,434,455</u></u>

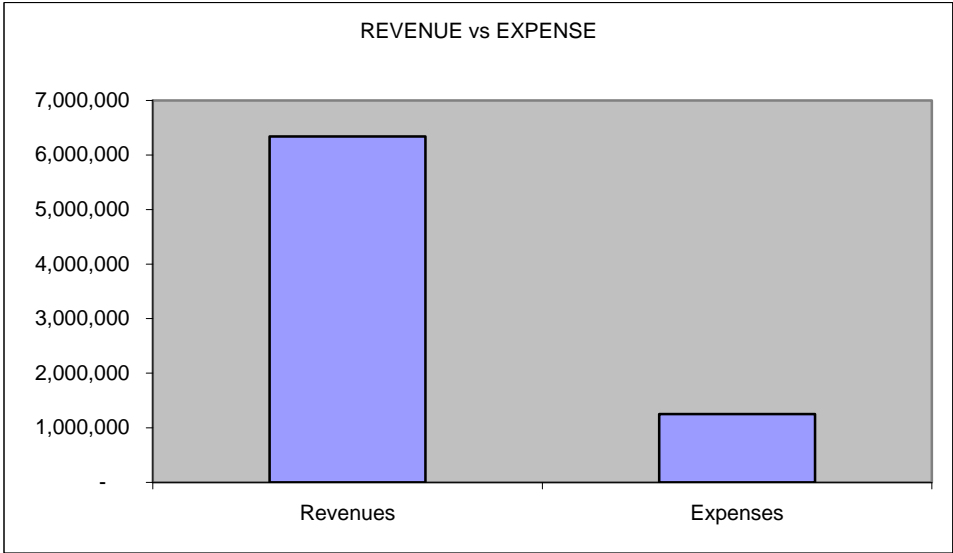
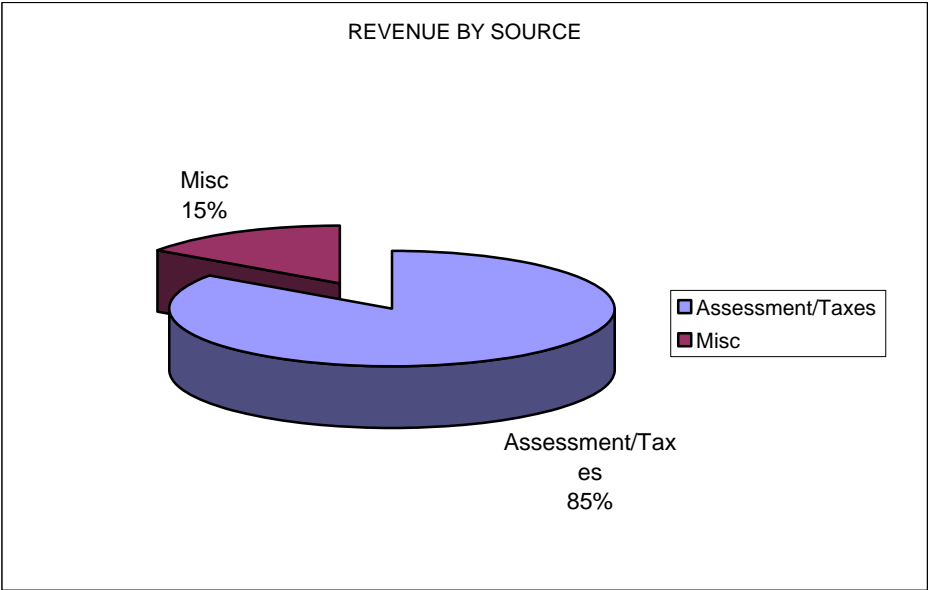
Summary of Revenues and Expenses by Source

During 2007-2008 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 \$6,341,056, with taxes and assessments representing \$5,376,473 or 85 percent of the revenue. Tax increment revenues represent growth in taxable valuation from a predetermined frozen base.
- Expenditures for 2007-08 are \$1,251,048, of which \$89,454 is attributed to interest payments on the long-term debt.

TUALATIN DEVELOPMENT COMMISSION

GOVERNMENTAL FUNDS



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

The Central Urban Renewal Project Fund ended with a decreased ending balance of \$3,232,308, down from a beginning balance of \$6,018,092. This change is primarily because of lower capital expenditures in the fund for which reserves had been accumulated. Also, there was some delay of expenditures from the previous year.

The fund balance in the Leveton Tax District Project increased in 2008 to \$12,744,241 from \$10,680,664 in 2007. As Leveton Tax Increment District is approaching the end of improvements to this area of the City, this 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 2008 than it was in 2007 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.
- Currently, all of the Development commission's debt is held by one bank. With the refunding of Central Urban Renewal debt in 2004, the amount outstanding of this district's debt was sufficiently low, as were the bond service payments, so that this bank no longer required that reserves be budgeted.

Debt Administration

Bond activity for the Tualatin Development Commission is illustrated below:

	<u>Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u>
Urban Renewal Bonds	\$ 3,030,000	\$ -	\$ (1,060,000)	\$ 1,970,000

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 2007-08, Central Urban Renewal sold and redeemed one short-term bond for \$2,130,000 and one for Leveton in the amount of \$3,080,000. 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, 2008

ASSETS

Cash and investments	\$	19,149,787
Accounts receivable		333
Property taxes receivable		220,006
Capital assets		
Land		7,305,654
Construction in progress		4,897,400
Infrastructure and other depreciable assets		13,952,940
Accumulated depreciation		(1,814,766)
Total capital assets		<u>24,341,228</u>
Total assets		<u>43,711,354</u>

LIABILITIES

Accounts payable		296,144
Deposits		60,000
Due to primary government		1,426,128
Retainage payable		7,170
Long-term liabilities:		
Due within one year		970,000
Due after one year		1,000,000
Total liabilities		<u>3,759,442</u>

NET ASSETS

Invested in capital, net of related debt		22,371,228
Restricted for debt service		1,345,024
Restricted for capital projects		15,976,549
Unrestricted		259,111
Total net assets	\$	<u><u>39,951,912</u></u>

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, 2008

	Expenses	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:		
General government	\$ 1,161,594	\$ (1,161,594)
Interest on long-term debt	89,454	(89,454)
Total governmental activities	<u>\$ 1,251,048</u>	(1,251,048)
General Revenues:		
Taxes and assessments		5,376,473
Miscellaneous		964,583
Total general revenues		<u>6,341,056</u>
Transfers to the City of Tualatin, net		<u>(4,572,551)</u>
Total general revenues and transfers		<u>1,768,505</u>
Change in net assets		517,457
Net assets, beginning of year		<u>39,434,455</u>
Net assets, end of year		<u>\$ 39,951,912</u>

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

MAJOR GOVERNMENTAL FUNDS

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

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

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

Central Urban Renewal District Projects 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 Projects 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
GOVERNMENTAL FUNDS - BALANCE SHEET
JUNE 30, 2008

	<i>General Fund</i>	<i>Central Urban Renewal District Bond Sinking Fund</i>	<i>Leveton Tax Increment District Bond Sinking Fund</i>
ASSETS			
Cash and investments	\$ 271,837	\$ 531,983	\$ 654,215
Accounts receivable	-	161	172
Property taxes receivable	-	90,759	129,247
Land	-	-	-
Construction in progress	-	-	-
Infrastructure	-	-	-
Accumulated depreciation	-	-	-
Total assets	<u>\$ 271,837</u>	<u>\$ 622,903</u>	<u>\$ 783,634</u>
LIABILITIES			
Accounts payable	\$ 4,298	\$ 756	\$ 757
Deposits	-	60,000	-
Due to other funds	8,428	-	-
Retainage payable	-	-	-
Deferred revenue	-	81,464	115,682
Long-term liabilities			
Due within one year	-	-	-
Due after one year	-	-	-
Total liabilities	<u>12,726</u>	<u>142,220</u>	<u>116,439</u>
FUND BALANCES			
Unreserved, reported in			
General fund	259,111	-	-
Debt service funds	-	480,683	667,195
Capital projects funds	-	-	-
Net assets	-	-	-
Total fund balances	<u>259,111</u>	<u>480,683</u>	<u>667,195</u>
Total liabilities and fund balances	<u>\$ 271,837</u>	<u>\$ 622,903</u>	<u>\$ 783,634</u>

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

<i>Central Urban Renewal District Projects Fund</i>	<i>Leveton Tax Increment District Projects Fund</i>	<i>Total</i>	<i>Adjustments</i>	<i>Statement of Net Assets</i>
\$ 4,720,026	\$ 12,971,726	\$ 19,149,787	\$ -	\$ 19,149,787
-	-	333	-	333
-	-	220,006	-	220,006
-	-	-	7,305,654	7,305,654
-	-	-	4,897,400	4,897,400
-	-	-	13,952,940	13,952,940
-	-	-	(1,814,766)	(1,814,766)
<u>\$ 4,720,026</u>	<u>\$ 12,971,726</u>	<u>\$ 19,370,126</u>	<u>\$ 24,341,228</u>	<u>\$ 43,711,354</u>
\$ 93,056	\$ 197,277	\$ 296,144	\$ -	\$ 296,144
-	-	60,000	-	60,000
1,392,117	25,583	1,426,128	-	1,426,128
2,545	4,625	7,170	-	7,170
-	-	197,146	(197,146)	-
-	-	-	970,000	970,000
-	-	-	1,000,000	1,000,000
<u>1,487,718</u>	<u>227,485</u>	<u>1,986,588</u>	<u>1,772,854</u>	<u>3,759,442</u>
-	-	259,111	(259,111)	-
-	-	1,147,878	(1,147,878)	-
3,232,308	12,744,241	15,976,549	(15,976,549)	-
-	-	-	39,951,912	39,951,912
<u>3,232,308</u>	<u>12,744,241</u>	<u>17,383,538</u>	<u>22,568,374</u>	<u>39,951,912</u>
<u>\$ 4,720,026</u>	<u>\$ 12,971,726</u>	<u>\$ 19,370,126</u>	<u>\$ 24,341,228</u>	<u>\$ 43,711,354</u>

Net Assets

Invested in capital net of related debt	\$ 22,371,228
Restricted for debt service	1,345,024
Restricted for capital projects	15,976,549
Unrestricted	259,111

Total net assets

\$ 39,951,912

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 GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT OF NET ASSETS
JUNE 30, 2008

Explanation of difference between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes adjustments to arrive at the amounts reported on the statement of net assets. The following is an explanation of those adjustments:

Governmental fund balance	\$	17,383,538
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds.		
Land		7,305,654
Construction in progress		4,897,400
Infrastructure and other depreciable assets		13,952,940
Accumulated depreciation		(1,814,766)
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred revenue in the funds		
		197,146
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds		
Payable within one year		(970,000)
Due in more that one year		(1,000,000)
<hr/>		
Government-wide statement of net assets	\$	<u><u>39,951,912</u></u>

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 -****GOVERNMENTAL FUNDS****YEAR ENDED JUNE 30, 2008**

	General Fund	Central Urban Renewal District Bond Sinking Fund	Leveton Tax Increment District Bond Sinking Fund
REVENUES			
Taxes and assessments	\$ -	\$ 2,208,899	\$ 3,137,766
Miscellaneous	12,176	83,439	133,948
Total revenues	12,176	2,292,338	3,271,714
EXPENDITURES			
Current			
General government	471,582	6,251	8,152
Debt service		279,179	870,275
Capital Outlay	-	-	-
Total expenditures	471,582	285,430	878,427
Excess (deficiency) of revenues over expenditures	(459,406)	2,006,908	2,393,287
OTHER FINANCING SOURCES (USES)			
Transfers in	438,000	-	-
Transfers out	-	(2,130,000)	(3,080,000)
Total other financing sources (uses)	438,000	(2,130,000)	(3,080,000)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(21,406)	(123,092)	(686,713)
Fund balance / net assets			
Beginning of the year	280,517	603,775	1,353,908
End of the year	\$ 259,111	\$ 480,683	\$ 667,195

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

<i>Central Urban Renewal District Projects Fund</i>	<i>Leveton Tax Increment District Projects Fund</i>	<i>Total Governmental Funds</i>	<i>Adjustments</i>	<i>Statement of Activities</i>
\$ -	\$ -	\$ 5,346,665	\$ 29,808	\$ 5,376,473
256,271	478,749	964,583		964,583
256,271	478,749	6,311,248	29,808	6,341,056
963	497,883	984,831	667,072	1,651,903
-	-	1,149,454	(1,060,000)	89,454
362,742	795,088	1,157,830	(1,648,139)	(490,309)
363,705	1,292,971	3,292,115	(2,041,067)	1,251,048
(107,434)	(814,222)	3,019,133	2,070,875	5,090,008
2,130,000	3,144,395	5,712,395	-	5,712,395
(4,808,350)	(266,596)	(10,284,946)	-	(10,284,946)
(2,678,350)	2,877,799	(4,572,551)	-	(4,572,551)
(2,785,784)	2,063,577	(1,553,418)	2,070,875	517,457
6,018,092	10,680,664	18,936,956	20,497,499	39,434,455
\$ 3,232,308	\$ 12,744,241	\$ 17,383,538	\$ 22,568,374	\$ 39,951,912

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 GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

Explanation of difference between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures and changes in fund balance includes adjustments to arrive at the amounts reported on the statement of net assets. The following is an explanation of those adjustments.

Changes in fund balance - total government funds	\$	(1,553,418)
--	----	-------------

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		29,808
-----------------------	--	--------

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		1,648,139
Depreciation expense		(667,072)

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		1,060,000
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Change in net assets	\$	517,457
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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, EXPENSES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
GENERAL FUND****JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Miscellaneous	\$ 12,816	\$ 12,816	\$ 12,176	\$ (640)
EXPENDITURES				
Personal services	233,420	233,420	224,844	8,576
Materials and services	275,342	275,342	246,738	28,604
Contingency	198,382	198,382	-	198,382
Total expenditures	707,144	707,144	471,582	235,562
Excess of revenues over (under) expenditures	(694,328)	(694,328)	(459,406)	234,922
OTHER FINANCING SOURCES (USES)				
Transfers in	438,000	438,000	438,000	-
Excess of revenues and other sources over (under) expenditures and other uses	(256,328)	(256,328)	(21,406)	234,922
BEGINNING FUND BALANCE	256,328	256,328	280,517	24,189
ENDING FUND BALANCE	\$ -	\$ -	\$ 259,111	\$ 259,111

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, 2008

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 Agency of the City (the Agency), a component unit of the city of Tualatin, Oregon. The agency 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 agency. The agency 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 Agency). 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 statement 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 Agency 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 Agency reports the following major governmental funds:

The General Fund
Central Urban Renewal District Bond Sinking Fund
Leveton Tax Increment District Bond Sinking Fund
Central Urban Renewal District Projects Fund
Leveton Tax Increment District Projects Fund

CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

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 Agency 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 Agency 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. Pre-paid Items

Payments made to vendors that will benefit periods beyond June 30, 2008 are recorded as pre-paid 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, 2008

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

8. Capital Assets (continued)

Capital assets are defined by the Agency as assets with an initial, individual cost of \$5,000 or more, and an estimated useful life of greater than five years. 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 Agency'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, 2008

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. Agency 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:

Cash

Deposits with financial institutions	\$ (186,082)
--------------------------------------	--------------

Investments

Local Government Investment Pool	19,335,869
	<hr/>
	\$ 19,149,787
	<hr/>

Deposits

At year end, the book balance of the Commissions's bank deposits (checking accounts) was (\$186,082) and the bank balance was (\$185,217). The difference is due to transactions in process. Deposits are secured by federal deposit insurance to legal limits. The remaining amount is secured by collateral in accordance with Oregon Revised Statutes.

Custodial Risk - Deposits

This is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. Oregon law requires governmental deposits made in banks to be protected either by depository insurance or the financial institution is required to maintain on deposit with a collateral pool manager securities having a value of not less than 25% of the face value of the certificate issued by the pool manager. When such securities are deposited with the pool manager, covered funds are considered fully collateralized under Oregon law. The collateral is held by a state-sponsored pool manager which is a commercial bank in the name of the pool manager, with the collateral

CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

NOTE C - CASH AND INVESTMENTS (Continued)

Custodial Risk – Deposits (continued)

certificate issued by the pool manager in the name of the Commission. This does not constitute full collateral of deposits, but meets Oregon legal requirements.

Investments

The State Treasurer of the State of Oregon maintains the Oregon Short-Term Fund, of which the Local Government Investment Pool (LGIP) is part. Participation by local governments is voluntary. At June 30, 2008, the carrying value of the position in the Oregon State Treasurer's Short-Term Investment Pool approximates fair value. The investment in the Oregon Short-Term Fund is not subject to risk evaluation. Separate financial statements for the Oregon Short-Term Fund are available from the Oregon State Treasurer.

The LGIP is administered by the Oregon State Treasury with the advice of other state agencies and is not registered with the U.S. Securities and Exchange Commission. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short Term Fund Board, which has established diversification percentages and specifies the types and maturities of the investments. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP.

These investments within the LGIP must be invested and managed as a prudent investor would, exercising reasonable care, skill and caution. Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by securities that exist in physical or book entry form. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP. The LGIP is not rated for credit quality.

NOTE D – PROPERTY TAX RECEIVABLES

Receivables at June 30, 2008 consist of the following:

Central Urban Renewal District Bond Fund	\$ 90,759
Leveton Tax Increment Bond Fund	129,247
	<hr/>
	<u>\$ 220,006</u>

CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

NOTE D – PROPERTY TAX RECEIVABLES (Continued)

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	\$ 81,464
Leveton Tax Increment Bond Fund	115,682
	<hr/>
	<u>\$ 197,146</u>

NOTE E - INTERFUND TRANSFERS

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

	Transfers from			Total
	General Fund	Central Urban Renewal District Bond Project Fund	Leveton Tax Increment District Bond Projects Fund	
Transfer in:				
General	<u>\$ -</u>	<u>\$ 218,000</u>	<u>\$ 220,000</u>	<u>\$ 438,000</u>
Transfers out to City of Tualatin				<u>\$4,572,551</u>

In the fund financial statements, total transfers out do not equal transfers in due to transfer made with the primary government.

CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

NOTE F - CAPITAL ASSETS

Capital asset activity for the ended June 30, 2008 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 6,805,994	\$ 499,660	\$ -	\$ 7,305,654
Construction in progress	3,748,921	1,148,479	-	4,897,400
Total capital assets, not being depreciated	10,554,915	1,648,139	-	12,203,054
Capital assets, being depreciated:				
Improvements other than buildings	611,572	-	-	611,572
Infrastructure	13,341,368	-	-	13,341,368
Less accumulated depreciation for:				
Infrastructure and other assets	(1,147,694)	(667,072)	-	(1,814,766)
Total capital assets, being depreciated net	12,805,246	(667,072)	-	12,138,174
Governmental activities capital assets, net	<u>\$ 23,360,161</u>	<u>\$ 981,067</u>	<u>\$ -</u>	<u>\$ 24,341,228</u>

NOTE G - LONG-TERM DEBT

Urban renewal and redevelopment bond

Outstanding 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 provided new funds. The outstanding balance on these bonds at June 30, 2008 was \$530,000 with an interest rate of 3.05% and final maturity in June 2010. In as much as the 1987 bonds were refunded, the reserve requirements associated with them are no longer in effect. The 2004 Series is not secured by a reserve and although a special levy could be imposed, if needed to pay for the debt, all tax increment projections indicate it will not be necessary.

Remaining debt for the Leveton District includes the Intermediate Financing (original amount of \$4,085,000) with an outstanding balance of \$1,440,000 at June 30, 2008. The bond has an interest rate of 2.9% and final maturity in June 2010. The proceeds from this financing are being 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, 2008

NOTE G - LONG-TERM DEBT (Continued)

Urban renewal and redevelopment bond (continued)

Long-term liability activity for the year ended June 30, 2008 was as follows:

	<i><u>Beginning Balance</u></i>	<i><u>Additions</u></i>	<i><u>Reductions</u></i>	<i><u>Ending Balance</u></i>	<i><u>Due Within One Year</u></i>
Urban Renewal and Redevelopment Bonds	\$ 3,030,000	\$ -	\$ (1,060,000)	\$ 1,970,000	\$ 970,000
Short-term bonds	-	5,210,000	(5,210,000)	-	-
Total	<u>\$ 3,030,000</u>	<u>\$ 5,210,000</u>	<u>\$ (6,270,000)</u>	<u>\$ 1,970,000</u>	<u>\$ 970,000</u>

Urban Renewal and Redevelopment Bond debt service requirements to maturity are as follows:

<u>YEAR ENDING JUNE 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	970,000	57,925
2010	<u>1,000,000</u>	<u>29,405</u>
Total	<u>\$ 1,970,000</u>	<u>\$ 87,330</u>

Short-term bonds

The Agency, 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 Agency, 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 Agency issues several small bonds in amounts sufficient to cover each phase of construction. The Agency 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 Agency issues short-term 'du-jour' bonds and redeems them within days of issuance. Since it is the Agency'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 Agency 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, 2008

NOTE H - COMMITMENTS AND CONTINGENCIES

The agency 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 Agency carries commercial insurance. There have been no settlements in excess of insurance coverage for the year ended June 30, 2008.

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

The Agency had approximately \$2,586,000 of commitments for unfinished capital projects at June 30, 2008.

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 Agency currently do not exceed the \$10.00 rate limit; however; this limitation may affect the availability of future tax revenues for the Agency.

In May 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 improvement. Tax rates are now fixed and not subject to change. Voters may approve local initiatives above the fixed rate provided a majority approves at either (i) a general election in an even numbered year, or (ii) at any other election in which at least 50 percent of registered voters cash a ballot.

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 Agency'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/EXPENSES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS**

Debt Service Funds

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

Capital Project Funds

- * Central Urban Renewal District Projects Fund
- * Leveton Tax Increment District Projects 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 SINKING FUND
JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Taxes and assessments	\$ 2,309,902	\$ 2,309,902	\$ 2,208,899	\$ (101,003)
Miscellaneous	35,155	35,155	83,439	48,284
Total revenues	2,345,057	2,345,057	2,292,338	(52,719)
EXPENDITURES				
Materials and services	7,200	7,200	6,251	949
Debt service	281,443	281,443	279,179	2,264
Total expenditures	288,643	288,643	285,430	3,213
Excess of revenues over (under) expenditures	2,056,414	2,056,414	2,006,908	(49,506)
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,200,000)	(2,200,000)	(2,130,000)	70,000
Excess of revenues and other sources over (under) expenditures and other uses	(143,586)	(143,586)	(123,092)	20,494
BEGINNING FUND BALANCE	643,516	643,516	603,775	(39,741)
ENDING FUND BALANCE	\$ 499,930	\$ 499,930	\$ 480,683	\$ (19,247)

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 SINKING FUND
JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Taxes and assessments	\$ 3,340,000	\$ 3,340,000	\$ 3,137,766	\$ (202,234)
Miscellaneous	66,355	66,355	133,948	67,593
Total revenues	3,406,355	3,406,355	3,271,714	(134,641)
EXPENDITURES				
Materials and services	9,000	9,000	8,152	848
Debt service	871,933	871,933	870,275	1,658
Total expenditures	880,933	880,933	878,427	2,506
Excess of revenues over (under) expenditures	2,525,422	2,525,422	2,393,287	(132,135)
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,668,554)	(2,668,554)	(3,080,000)	(411,446)
Excess of revenues and other sources over (under) expenditures and other uses	(143,132)	(143,132)	(686,713)	(543,581)
BEGINNING FUND BALANCE	1,259,088	1,259,088	1,353,908	94,820
ENDING FUND BALANCE	\$ 1,115,956	\$ 1,115,956	\$ 667,195	\$ (448,761)

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 PROJECTS FUND****JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Miscellaneous	\$ 281,410	\$ 281,410	\$ 256,271	\$ (25,139)
EXPENDITURES				
Materials and services	100,912	100,912	21,313	79,599
Capital outlay	1,050,000	1,050,000	362,742	687,258
Contingency	-	300,000	-	300,000
Total expenditures	1,150,912	1,450,912	384,055	1,066,857
Excess of revenues over (under) expenditures	(869,502)	(1,169,502)	(127,784)	1,041,718
OTHER FINANCING SOURCES (USES)				
Transfers in	2,200,000	2,200,000	2,130,000	(70,000)
Transfers out	(4,788,000)	(4,788,000)	(4,788,000)	-
Total Other financing sources (uses)	(2,588,000)	(2,588,000)	(2,658,000)	(70,000)
Excess of revenues and other sources over (under) expenditures and other uses	(3,457,502)	(3,757,502)	(2,785,784)	971,718
BEGINNING FUND BALANCE	5,628,205	5,628,205	6,018,092	389,887
ENDING FUND BALANCE	\$ 2,170,703	\$ 1,870,703	\$ 3,232,308	\$ 1,361,605

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 PROJECTS FUND****JUNE 30, 2008**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with</i>
	<i>Original</i>	<i>Final</i>	<i>Amounts</i>	<i>Final Budget</i>
				<i>Positive</i>
				<i>(Negative)</i>
REVENUES				
Miscellaneous	\$ 489,811	\$ 489,811	\$ 478,749	\$ (11,062)
EXPENDITURES				
Materials and services	38,096	38,096	30,223	7,873
Capital outlay	9,600,000	9,600,000	1,290,844	8,309,156
Contingency	481,500	481,500	-	481,500
Total expenditures	10,119,596	10,119,596	1,321,067	8,798,529
Excess of revenues over (under) expenditures	(9,629,785)	(9,629,785)	(842,318)	8,787,467
OTHER FINANCING SOURCES (USES)				
Transfers in	2,751,530	2,751,530	3,144,395	392,865
Transfers out	(238,500)	(238,500)	(238,500)	-
Total Other financing sources (uses)	2,513,030	2,513,030	2,905,895	392,865
Excess of revenues and other sources over (under) expenditures and other uses	(7,116,755)	(7,116,755)	2,063,577	9,180,332
BEGINNING FUND BALANCE	10,396,225	10,396,225	10,680,664	284,439
ENDING FUND BALANCE	\$ 3,279,470	\$ 3,279,470	\$ 12,744,241	\$ 9,464,771

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, 2008**

<i>Tax Year</i>	<i>Original Levy or Balance Uncollected July 1, 2007</i>	<i>Deduct Discounts</i>	<i>Adjustments</i>	<i>Add Interest</i>	<i>Cash Collections by County Treasurer</i>	<i>Balance Uncollected or Unsegregated June 30, 2008</i>
Current:						
2006-2007	\$ 5,519,683	\$ (139,632)	\$ (6,677)	\$ 1,751	\$ (5,237,214)	\$ 137,911
Prior years:						
2005-2006	113,915	27	(3,723)	4,503	(79,962)	34,760
2004-2005	28,840	62	(3,001)	2,238	(14,229)	13,910
2003-2004	15,454	25	(1,490)	2,304	(10,194)	6,099
2002-2003	5,453	25	(946)	1,135	(3,915)	1,752
2001-2002 and Prior	3,583	-	(126)	535	(1,278)	2,714
	<u>167,245</u>	<u>139</u>	<u>(9,286)</u>	<u>10,715</u>	<u>(109,578)</u>	<u>59,235</u>
	<u>\$ 5,686,928</u>	<u>\$ (139,493)</u>	<u>\$ (15,963)</u>	<u>\$ 12,466</u>	<u>\$ (5,346,792)</u>	<u>197,146</u>
<i>Cash with County</i>						<u>22,860</u>
<i>Taxes receivable</i>						<u>\$ 220,006</u>

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

TUALATIN DEVELOPMENT COMMISSION

AUDITOR'S COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

YEAR ENDED JUNE 30, 2008

STATE OF OREGON COMPLIANCE SECTION

Oregon Administrative Rules 162-10-050 through 162-10-320 incorporated in the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required statements and schedules are set forth in the preceding sections of this report. Required comments and disclosures related to our audit of such statements and schedules are as follows.

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Tualatin Development Commission (the Commission), as of and for the year ended June 30, 2008, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated December 26, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Significant Accounting Policies

The significant accounting policies followed in preparing the Commission's financial statements are summarized in the notes to the financial statements.

Organization and Fund Structure

The organization and fund structure of the Commission is documented in the notes to the financial statements.

Internal Accounting 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 opinions 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.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Adequacy of Accounting Records

The Commission's accounting records were reasonably maintained and adequate to support our audit of the basic financial statements.

TUALATIN DEVELOPMENT COMMISSION

AUDITOR'S COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS (Continued)

YEAR ENDED JUNE 30, 2008

STATE OF OREGON COMPLIANCE SECTION (Continued)

Indebtedness

The general obligation bonded debt of the Commission is in compliance with the limitation imposed by ORS 264.250 (3). We noted no defaults in principal, interest, sinking fund, or redemption provisions with respect to any of the Commission's liabilities, and no breach of the bond agreements, at June 30, 2008.

Adequacy of Collateral Securing Depository Balances

ORS 295 provides that each depository, throughout the period of its possession of public fund deposits, shall maintain on deposit with its custodians, at its own expense, securities having a value not less than 25% of the certificates of participation issued by the pool manager for funds in excess of those insured by the Federal Deposit Insurance Corporation. Our review of the adequacy of collateral securing depository balances indicated the collateral was sufficient during the year ended June 30, 2008.

Budget Compliance

The Commission appears to have complied with Local Budget Law (ORS 294.305 to 294.520) in the preparation, adoption and execution of its budget and tax levy for the year ended June 30, 2008, and the preparation and adoption of its budget for the year ending June 30, 2009.

Insurance and Fidelity Bonds

We have reviewed the Commission's insurance and fidelity bond coverage at June 30, 2008. We ascertained that such policies appeared to be in force and in compliance with legal requirements relating to insurance and fidelity bond coverage. We are not competent by training to comment on the adequacy of the insurance policies covering Commission property at June 30, 2008.

Public Contracting and Purchasing

Our review of the Commission's public contracting, purchasing procedures and construction of public improvement requirements (ORS 279) indicated that the Commission was in compliance.

Programs Funded from Outside Sources

We have reviewed the Commission's compliance with appropriate laws, rules, and regulations pertaining to programs funded wholly or partially by other governmental agencies. The Commission is in compliance with the guidelines in all material respects.

Financial Reporting Requirements

We have reviewed financial reports and other data relating to programs funded wholly or partially by other governmental agencies. This data, filed with other governmental agencies, is in agreement with and supported by the accounting records.

Highway Funds

The Commission did not receive any funds under Article IX, Section 3a of the Oregon Constitution pertaining to the use of revenue from taxes on motor vehicle fuel.

TUALATIN DEVELOPMENT COMMISSION

AUDITOR'S COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS (Continued)

YEAR ENDED JUNE 30, 2008

STATE OF OREGON COMPLIANCE SECTION (Continued)

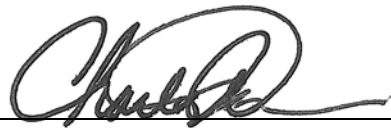
Investments

Our review of deposit and investment balances indicated that the Commission was in compliance with ORS 294, as it pertains to investment of public funds, during the year ended June 30, 2008.

This report is intended for the information and use of the Board of Commissioners and management of the Tualatin Development Commission and is not intended and should not be used by anyone other than those specified parties.

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

By: _____



Charles A. Swank, A Shareholder

December 26, 2008