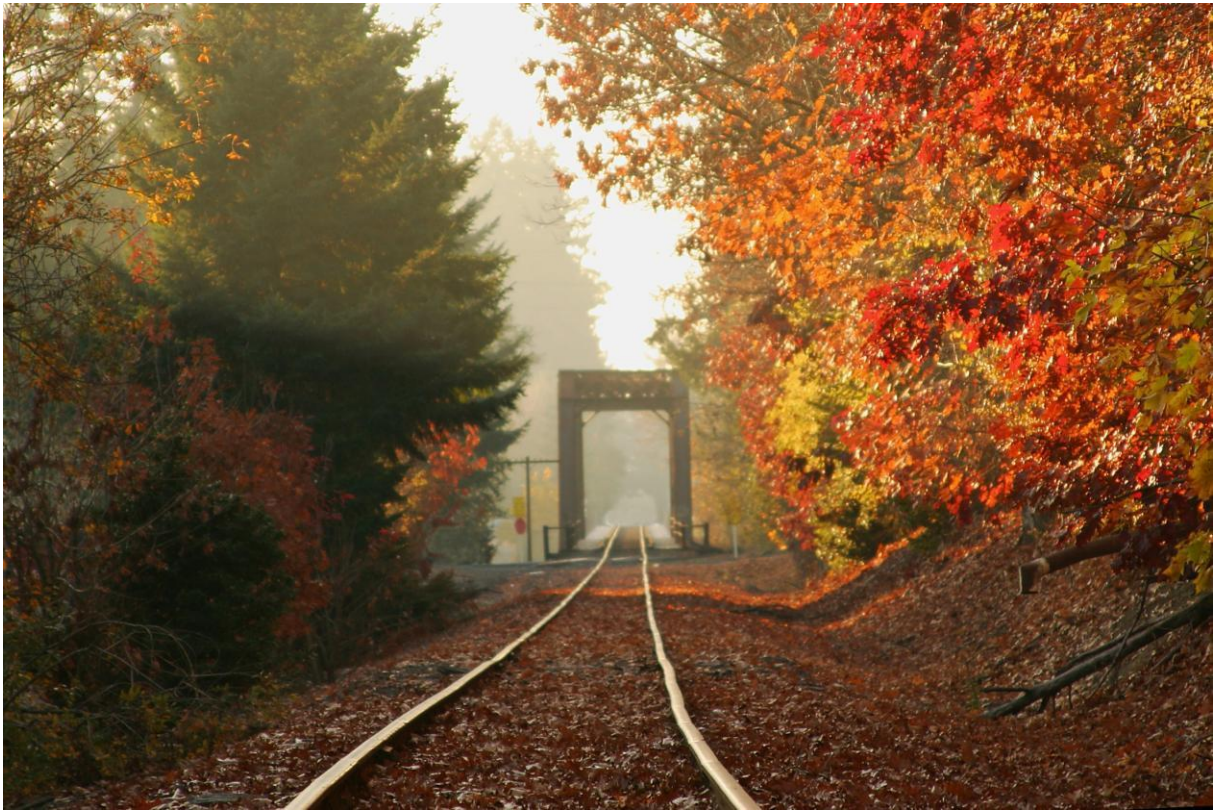


# **TUALATIN DEVELOPMENT COMMISSION**

## **FINANCIAL STATEMENTS**



**For the Fiscal Year Ended June 30, 2011**



**TUALATIN DEVELOPMENT COMMISSION**  
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**June 30, 2011**

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## **INTRODUCTORY SECTION**

**TUALATIN DEVELOPMENT COMMISSION  
BOARD OF COMMISSIONERS  
June 30, 2011**

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**Commissioners**

**Term Expires**

Lou Ogden, Mayor	December 31, 2014
Wade Brooksby, Position No. 1	December 31, 2014
Monique Beikman, Council President, Position No. 2	December 31, 2012
Frank Bubenik, Position No. 3	December 31, 2014
Ed Truax, Position No. 4	December 31, 2012
Nancy Grimes, Position No. 5	December 31, 2012
Joelle Davis, Position No. 6	December 31, 2012

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## **FINANCIAL SECTION**

**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Tualatin Development Commission  
Tualatin, Oregon

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, 2011, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Tualatin Development 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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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, in all material respects, the respective financial position of the governmental activities and each major fund of the Tualatin Development Commission, as of June 30, 2011, and the respective changes in financial position thereof 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 and required supplementary information, as listed in the table of contents, 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. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tualatin Development Commission's financial statements as a whole. The introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The other supplementary information is 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 introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Merina & Company, LLP  
West Linn, Oregon  
December 12, 2011

# 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, 2011.

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 \$43,092,005. Of this amount \$11,111,606 is restricted for urban renewal projects and activities.
- Total net assets of the Commission decreased by \$4,683,408 in 2011. Tax increment revenue collections ceased in 2010. Excess funds in the Bond Funds were returned to Washington County for reallocation to the overlapping taxing districts and project costs were expensed in 2011.
- At the end of the 2011 fiscal year, unreserved fund balance for the Economic Development Administration Fund is \$309,052 as compared to \$334,254 in 2010.
- All debt for the Tualatin Development Commission has been exhausted.

## 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 "owner's 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.

## TUALATIN DEVELOPMENT COMMISSION'S NET ASSETS

	June 30,	
	2011	2010
Current and other assets	\$ 11,249,405	\$ 18,177,549
Capital assets, net	32,131,616	31,887,301
Total assets	43,381,021	50,064,850
Long-term liabilities	-	-
Other liabilities	289,016	2,239,063
Total liabilities	289,016	2,239,063
Net assets:		
Invested in capital assets, net of related debt	31,980,399	31,887,301
Restricted	11,111,606	15,604,232
Unrestricted	-	334,254
Total net assets	\$ 43,092,005	\$ 47,825,787

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 \$43,092,005 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 4 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). Over \$1.3 million was spent in the Central Urban Renewal District during 2010-2011, primarily related to the joint project to create quiet zones within Tualatin with Tri-Met. Design and construction work continued for the Tualatin-Sherwood Road landscape project and

continues into 2011-2012. The project will provide pedestrian enhancements and landscape improvements between east of Martinazzi Avenue to Boones Ferry Road.

In the Leveton Tax Increment District, \$164,519 was expended for the extension of 124<sup>th</sup> Avenue from Myslony Street to Tualatin-Sherwood Road, design and improvements for Herman Road from 108<sup>th</sup> Avenue to 124<sup>th</sup> Avenue, and design and right-of-way acquisition for the Leveton Drive Extension project including SW 130<sup>th</sup> Avenue and SW 128<sup>th</sup> 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.

## TUALATIN DEVELOPMENT COMMISSION'S STATEMENT OF ACTIVITIES

	Year Ended June 30,	
	2011	2010
Revenues:		
Taxes and assessments	\$ -	\$ 5,634,460
Interest and miscellaneous	76,327	141,824
Total revenues	76,327	5,776,284
Expenses:		
General government	304,427	346,791
Interest on long-term debt	-	29,687
Depreciation	1,184,227	712,945
Total expenses	1,488,654	1,089,423
Change in net assets before transfers	(1,412,327)	4,686,861
Transfers	(3,271,081)	(440,351)
Change in net assets	(4,683,408)	4,246,510
Beginning net assets, as restated	47,775,413	43,579,277
Ending net assets	\$ 43,092,005	\$ 47,825,787

### Discussion of Significant Changes in Individual Fund Balances

The Central Urban Renewal Project Fund ended with an ending balance of \$2,677,660, down from a beginning balance of \$4,233,184. 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 2011 to \$7,973,677 from \$8,216,430 in 2010. As Leveton Tax Increment District is approaching the end of improvements to this area of the City, the rate of expenditures has slowed.

The Bond Funds in both project areas were reduced to zero, as the remaining balances were returned to Washington County for reallocation to the overlapping taxing districts.

### Debt Administration

There is no remaining debt in the Tualatin Development Commission.

## **Economic Factors and Next Year's Budget**

The Commission is reviewing cost estimates to complete remaining projects and any balances that may be remaining in both the Central Urban Renewal District and the Leveton Tax Increment District. Should there be any remaining funds available, the Commission will discuss options for the balances.

## **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.



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## **BASIC FINANCIAL STATEMENTS**

**TUALATIN DEVELOPMENT COMMISSION**  
**STATEMENT OF NET ASSETS**  
**June 30, 2011**

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	Governmental Activities
<b>ASSETS:</b>	
Current assets:	
Cash and cash equivalents	\$ 11,249,405
Total current assets	<u>11,249,405</u>
Noncurrent assets:	
Capital assets:	
Nondepreciable	20,422,395
Depreciable, net	<u>11,709,221</u>
Total noncurrent assets	<u>32,131,616</u>
Total assets	<u><u>\$ 43,381,021</u></u>
<b>LIABILITIES:</b>	
Current liabilities:	
Accounts payable and other current liabilities	\$ 129,371
Due to other governments	8,428
Retainage payable	<u>151,217</u>
Total liabilities	<u>289,016</u>
<b>NET ASSETS:</b>	
Invested in capital assets, net of related debt	31,980,399
Restricted for:	
Urban renewal projects	<u>11,111,606</u>
Total net assets	<u>43,092,005</u>
Total liabilities and net assets	<u><u>\$ 43,381,021</u></u>

*The accompanying notes are an integral part of these financial statements*

**TUALATIN DEVELOPMENT COMMISSION**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2011**

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		Program Revenues		Net Revenue (Expenses) and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
<b>EXPENSES:</b>				
General Government	\$ 304,427	\$ -	\$ -	\$ (304,427)
Depreciation	1,184,227	-	-	(1,184,227)
Total activities	1,488,654	-	-	(1,488,654)
<b>GENERAL REVENUES:</b>				
Interest				76,327
Transfer to Washington County				(3,167,572)
Transfers to the City of Tualatin, net				(103,509)
Total general revenues				(3,194,754)
Change in net assets				(4,683,408)
<b>NET ASSETS, BEGINNING</b>				47,825,787
Prior period adjustment				(50,374)
<b>NET ASSETS, ENDING</b>				<u>\$ 43,092,005</u>

*The accompanying notes are an integral part of these financial statements*

**TUALATIN DEVELOPMENT COMMISSION**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2011**

	Economic Development 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	Total Governmental Funds
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 323,711	\$ 60,000	\$ -	\$ 2,723,549	\$ 8,142,145	\$ 11,249,405
Total assets	<u>\$ 323,711</u>	<u>\$ 60,000</u>	<u>\$ -</u>	<u>\$ 2,723,549</u>	<u>\$ 8,142,145</u>	<u>\$ 11,249,405</u>
<b>LIABILITIES:</b>						
Accounts payable and other current liabilities	\$ 6,231	\$ 60,000	\$ -	\$ 42,132	\$ 21,008	\$ 129,371
Due to other governments	8,428	-	-	-	-	8,428
Retainage payable	-	-	-	3,757	147,460	151,217
Total liabilities	<u>14,659</u>	<u>60,000</u>	<u>-</u>	<u>45,889</u>	<u>168,468</u>	<u>289,016</u>
<b>FUND BALANCES:</b>						
Restricted for:						
Urban renewal projects	<u>309,052</u>	<u>-</u>	<u>-</u>	<u>2,677,660</u>	<u>7,973,677</u>	<u>10,960,389</u>
Total fund balance	<u>309,052</u>	<u>-</u>	<u>-</u>	<u>2,677,660</u>	<u>7,973,677</u>	<u>10,960,389</u>
Total liabilities and fund balance	<u>\$ 323,711</u>	<u>\$ 60,000</u>	<u>\$ -</u>	<u>\$ 2,723,549</u>	<u>\$ 8,142,145</u>	

Amounts reported in the statement of net assets are different because:

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

Net assets

32,131,616

\$ 43,092,005

*The accompanying notes are an integral part of these financial statements*

**TUALATIN DEVELOPMENT COMMISSION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2011**

	Economic Development 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	Total Governmental Funds
<b>REVENUES:</b>						
Interest	\$ 1,728	\$ 7,855	\$ 5,099	\$ 18,408	\$ 43,237	\$ 76,327
Total revenues	1,728	7,855	5,099	18,408	43,237	76,327
<b>EXPENDITURES:</b>						
Current:						
General government	281,252	-	-	18,444	-	299,696
Capital outlay	-	-	-	1,319,488	164,159	1,483,647
Total expenditures	281,252	-	-	1,337,932	164,159	1,783,343
Revenues over (under) expenditures	(279,524)	7,855	5,099	(1,319,524)	(120,922)	(1,707,016)
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfer to Washington County	-	(1,736,773)	(1,164,456)	-	-	(2,901,229)
Transfers in	470,000	-	-	-	134,169	604,169
Transfers out	(215,678)	-	-	(236,000)	(256,000)	(707,678)
Total other financing sources (uses)	254,322	(1,736,773)	(1,164,456)	(236,000)	(121,831)	(3,004,738)
Net change in fund balances	(25,202)	(1,728,918)	(1,159,357)	(1,555,524)	(242,753)	(4,711,754)
<b>FUND BALANCE, BEGINNING</b>	334,254	1,728,918	1,159,357	4,233,184	8,216,430	15,672,143
<b>FUND BALANCE, ENDING</b>	<u>\$ 309,052</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,677,660</u>	<u>\$ 7,973,677</u>	<u>\$ 10,960,389</u>

*The accompanying notes are an integral part of these financial statements*

**TUALATIN DEVELOPMENT COMMISSION**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2011**

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Amounts reported in the statement of activities are different because:

Net change in fund balance	\$ (4,711,754)
----------------------------	----------------

The statement of revenues, expenditures, and changes in fund balances report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceed capital outlay in the current period.

Depreciation	(1,184,227)	
Capital asset additions	<u>1,478,916</u>	294,689

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

<u>(266,343)</u>
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Changes in net assets	<u><u>\$ (4,683,408)</u></u>
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*The accompanying notes are an integral part of these financial statements*

**TUALATIN DEVELOPMENT COMMISSION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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**(1) Organization and Summary of Significant Accounting Policies**

These financial statements of the Tualatin Development Commission (the Commission) have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**A. Description of Reporting Entity**

The Commission (a component unit of the City of Tualatin) 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 component unit financial statements of the Commission include all funds of the Commission, and the Board of Commissioners are not financially accountable for any other governmental entity. Financial accountability is determined in accordance with criteria set forth in accounting principles generally accepted in the United States of America, primarily on the basis of authority to appoint voting majority of an organization's governing board, ability to impose its will on that organization, the potential for that organization to provide specific benefits or impose specific financial burdens and that organization's fiscal dependency. The Commission is a component unit of the City of Tualatin and, as such is included in the financial statements of the City of Tualatin for the year ended June 30, 2011.

**B. Basic Financial Statements**

The Commission's financial operations are presented at both the government-wide and fund financial levels. All activities on the Commission are categorized as governmental.

**Government-wide financial statements**

The Commission uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.



**TUALATIN DEVELOPMENT COMMISSION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

---

**Fund financial statements**

These statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, and fiduciary. Currently the Commission has only governmental fund types.

**C. Basis of Presentation**

The financial transactions of the Commission are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The GASB 34 model sets forth minimum criteria (percentage of the assets liabilities, revenues or expenditures/expenses of either fund category or the governmental and proprietary combined) for the determination of major funds. For purposes of presentation, each of the Commission's funds are presented as major funds.

The Commission uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities.

The Economic Development Administration Division Fund is used to account for the financial operation of the Commission that are not accounted for in any other fund.

The Central Urban Renewal District Bond Fund is used to account property taxes received within the Central Urban Renewal area for the payment of principal and interest on the Commission's tax increment debt.

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

The Central Urban Renewal District Project Fund is used to account 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 areas boundary and payment of non-bonded indebtedness.

The Leveton Tax Increment District Project Fund is used to account 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.

**D. Measurement Focus and Bases of Accounting**

Measurement focus is a term used to describe which transactions are recorded with the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus.

The Commission-wide financial statements are reported using the *economic resources measurement focus* and the *full 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. 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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, long-term compensated absences are recorded only when payment is due.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the Commission-wide statements, reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the Commission-wide presentation.

**E. Cash and Cash Equivalents**

The Commission considers cash equivalents as all highly liquid investments with maturity of three months or less. Investments included in cash and cash equivalents are reported at fair value.

**F. Receivables and Property Tax Calendar**

Uncollected property taxes receivable, which have been collected within sixty days following year-end are considered measurable and available and are recognized as revenue. The remaining balance is recorded as deferred revenue because it is not deemed available to finance operations of the current period. Real and personal property taxes are levied in July of each fiscal year. Property taxes attach as an enforceable lien on property as of July 1, and are payable in three installments on November 15, February 15, and May 15. All property taxes are billed and collected by Clackamas County and remitted to the City. Uncollected taxes, including delinquent amounts, are considered substantially collectible or recoverable through liens, and accordingly no allowance for uncollected taxes has been established. All property taxes receivable are due from property owners within the Commission's boundaries.

**TUALATIN DEVELOPMENT COMMISSION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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**G. 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.

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	10-50
Machinery and equipment	5-10
Infrastructure	20-50

**I. Net Assets**

In the agency-wide financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt represents capital assets less accumulated depreciation less outstanding principal of related debt. Net assets invested in capital assets, net of related debt does not include the unspent proceeds of capital debt. Restricted net assets represent net assets restricted by parties outside of the Commission (such as creditors, grantors, contributors, laws, and regulations of other governments) and include unspent proceeds of bonds issued to acquire or construct capital assets. The nonexpendable portion of permanent funds is reported as a component of restricted net assets. The Commission's other restricted net assets are temporarily restricted (ultimately expendable) assets. All other net assets are considered unrestricted.

**J. Fund Equity**

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type

**TUALATIN DEVELOPMENT COMMISSION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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definitions. It establishes the fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. The Commission implemented GASB 54 in the year ending June 30, 2011.

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Commission is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – non-spendable, restricted, committed, assigned and unassigned.

**Non-Spendable** – Includes items not immediately converted to cash, such as prepaid items and inventory.

**Restricted** – Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.

**Use of Restricted Resources** -- 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.

**Committed** – Includes items committed by the Commission, by formal council action. Commitments of fund balance must be made prior to the end of the fiscal year.

**Assigned** – Includes items assigned for specific uses, authorized by the Commission. Assignments of fund balance can be done at any time, including after the fiscal year end date.

**Unassigned** – This is the residual classification used for those balances not assigned to another category.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources, as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the Commission's policy to use committed resources first, then assigned, and then unassigned as they are needed.

**K. Use 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**TUALATIN DEVELOPMENT COMMISSION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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**(2) Cash and Cash Equivalents**

At June 30, 2011 investments included in cash and cash equivalents consist of the following:

	<u>Fair Value</u>
Investments in the State Treasurer's Local Government Investment Pool	<u>\$ 11,224,753</u>
Total	<u>\$ 11,224,753</u>

**A. Interest rate risk**

The Commission does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Currently, the Commission maintains excess cash in the Local Government Investment Pool.

**B. Credit risk**

State statutes authorize the Commission to invest in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, and the State Treasurer's Oregon Local Government Investment Pool, among others. The Commission has no investment policy that would further limit its investment choices. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations, but is not regulated by other laws, organizations or regulations. The reported value of the Pool is the same as the fair value of Pool shares. Investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). The State Treasurer's Oregon Local Government Investment Pool is not registered with the SEC as an investment company and is unrated.

The Commission's investment in the Local Government Investment Pool is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form.

**C. Concentration of credit risk**

All investments of the Commission shall be made in accordance with Oregon Revised Statutes: ORS 294.035 (Investment of surplus finds of political subdivisions; approved investments), ORS 294.040 (Restriction on investments under ORS 294.035), ORS 294.135 (Investment maturity dates), ORS 294.145 (Prohibited conduct for custodial officer), ORS 294.805 to 294.895 (Local Government Investment Pool). Any revisions or extensions of these sections of the ORS shall be assumed to be part of this investment policy immediately upon being enacted.

**TUALATIN DEVELOPMENT COMMISSION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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**D. Custodial credit risk – deposits**

In the case of 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 for the combined total of all savings deposits and unlimited coverage for non-interest bearing transaction accounts. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are considered fully collateralized. As of June 30, 2011, none of the Commission's bank balances were exposed to credit risk.

**(3) Interfund Transfers**

Interfund transfers are used to provide funds for debt service, contribute to the cost of capital projects, and provide operational resources. Interfund transfers for fiscal year ended June 30, 2011, was as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Economic Development Adm. Fund	\$ 470,000	\$ 215,678
Leveton Project Fund	134,169	256,000
Central Urban Renewal District Project Fund	-	236,000
City of Tualatin – Road Op/Gas Tax Fund	-	134,169
City of Tualatin – General Fund	237,678	-
Total Transfers	<u>\$ 841,847</u>	<u>\$ 841,847</u>

**TUALATIN DEVELOPMENT COMMISSION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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**(4) Capital Assets**

Capital asset activity for the ended June 30, 2011, was as follows:

<b>Governmental Activities:</b>	<b>June 30, 2010 Balance</b>	<b>Prior Period Adjustment</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
<b>Capital Assets, non-depreciable:</b>						
Land	\$ 8,736,438	\$ -	\$ 8,736,438	\$ 13,520	\$ -	\$ 8,749,958
Construction in Progress	12,382,513	-	12,382,513	1,478,918	(2,188,994)	11,672,437
Total capital assets, non-depreciable	21,118,951	-	21,118,951	1,492,438	(2,188,994)	20,422,395
<b>Capital assets, depreciable:</b>						
Improvements	1,376,429	-	1,376,429	1,732,406	-	3,108,835
Infrastructure	13,341,368	-	13,341,368	443,066	-	13,784,434
Total capital assets, depreciable	14,717,797	-	14,717,797	2,175,472	-	16,893,269
Total	35,836,748		35,836,748	3,667,910	(2,188,994)	37,315,664
<b>Less accumulated depreciation for:</b>						
Improvements	(166,332)	(5,509)	(171,841)	(495,003)	-	(666,844)
Infrastructure	(3,783,115)	(44,865)	(3,827,980)	(689,224)	-	(4,517,204)
Total accumulated depreciation	(3,949,447)	(50,374)	(3,999,821)	(1,184,227)	-	(5,184,048)
Net depreciable capital assets	10,768,350	(50,374)	10,717,976	991,245	-	11,709,221
<b>Net capital assets</b>	<b>\$ 31,887,301</b>	<b>\$ (50,374)</b>	<b>\$ 31,836,927</b>	<b>\$ 2,483,683</b>	<b>\$ (2,188,994)</b>	<b>\$ 32,131,616</b>

**Risk Management**

The Commission is exposed to various risks of loss and insurance coverage is provided by the City of Canby, which carries commercial insurance. Settled claims resulting from risks of loss have not exceeded commercial insurance coverage in any of the past three years.

**(6) Prior Period Adjustment**

During the year ended June 30, 2011 management discovered assets that were included in construction in process that had been completed in prior years. A prior period adjustment for \$50,374 to increase accumulated depreciation for governmental capital assets was made on the government-wide financial statements.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

## **REQUIRED SUPPLEMENTARY INFORMATION**

Required supplementary information includes financial information and disclosures that are

- Budgetary Comparison Schedules
  - Economic Development Administration Fund - General Fund

**TUALATIN DEVELOPMENT COMMISSION**  
**URBAN REDEVELOPMENT ADMINISTRATION FUND - GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2011**

	Budget			Variance Positive (Negative)
	Original	Final	Actual	
<b>REVENUES:</b>				
Interest	\$ 3,209	\$ 3,209	\$ 1,728	\$ (1,481)
Total revenues	3,209	3,209	1,728	(1,481)
<b>EXPENDITURES:</b>				
Personal service	244,190	244,190	238,870	5,320
Materials and service	49,044	49,044	42,382	6,662
Contingency	285,172	285,172	-	285,172
Total expenditures	578,406	578,406	281,252	297,154
Revenues over (under) expenditures	(575,197)	(575,197)	(279,524)	295,673
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	470,000	470,000	470,000	-
Transfers out	(215,678)	(215,678)	(215,678)	-
Total other financing sources (uses)	254,322	254,322	254,322	-
Net changes in fund balances	(320,875)	(320,875)	(25,202)	295,673
<b>FUND BALANCES, BEGINNING</b>	320,875	320,875	334,254	13,379
<b>FUND BALANCES, ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 309,052</u>	<u>\$ 309,052</u>

*The accompanying notes are an integral part of these financial statements*

**TUALATIN DEVELOPMENT COMMISSION**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2011**

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Budgetary Information

The Commission budgets its fund on the modified accrual basis of accounting. Budget appropriations lapse at the end of each fiscal year. Appropriations are adopted in the categories of personal services, materials and services, and capital outlay. Actual expenditures may not legally exceed appropriations in any of the categories.

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## **OTHER SUPPLEMENTARY INFORMATION**

## **OTHER SUPPLEMENTARY INFORMATION**

### **BUDGETARY COMPARISON SCHEDULES**

Pursuant to the provisions of Oregon Revised Statute, an individual schedule of revenues, expenditures, and changes in fund balances - budget and actual be displayed for each fund where legally adopted budgets are required.

These Budgetary Comparison schedules included the following:

#### Debt Service Funds

Central Urban Renewal Bond Fund  
Leveton Tax Increment District Bond Fund

#### Capital Project Funds

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

**TUALATIN DEVELOPMENT COMMISSION  
CENTRAL URBAN RENEWAL DISTRICT BOND FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2011**

	Budget			Variance Positive (Negative)
	Original	Final	Actual	
<b>REVENUES:</b>				
Interest	\$ 16,713	\$ 16,713	\$ 7,855	\$ (8,858)
Total revenues	16,713	16,713	7,855	(8,858)
<b>EXPENDITURES:</b>				
Contingency	-	-	-	-
Total expenditures	-	-	-	-
Revenues over (under) expenditures	16,713	16,713	7,855	(8,858)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer to Washington County	-	-	(1,736,773) *	(1,736,773)
Total other financing sources (uses)	-	-	(1,736,773)	(1,736,773)
Net changes in fund balances	16,713	16,713	(1,728,918)	(1,745,631)
<b>FUND BALANCES, BEGINNING</b>	1,671,311	1,671,311	1,728,918	57,607
<b>FUND BALANCES, ENDING</b>	<u>\$ 1,688,024</u>	<u>\$ 1,688,024</u>	<u>\$ -</u>	<u>\$ (1,688,024)</u>

\* = Exempt from Oregon Budget Law

*The accompanying notes are an integral part of these financial statements*



**TUALATIN DEVELOPMENT COMMISSION  
LEVETON TAX INCREMENT DISTRICT BOND FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2011**

	Budget			Variance Positive (Negative)
	Original	Final	Actual	
<b>REVENUES:</b>				
Interest	\$ 10,298	\$ 10,298	\$ 5,099	\$ (5,199)
Total revenues	10,298	10,298	5,099	(5,199)
<b>EXPENDITURES:</b>				
Contingency	-	-	-	-
Total expenditures	-	-	-	-
Revenues over (under) expenditures	10,298	10,298	5,099	(5,199)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer to Washington County	-	-	(1,164,456) *	(1,164,456)
Total other financing sources (uses)	-	-	(1,164,456)	(1,164,456)
Net changes in fund balances	10,298	10,298	(1,159,357)	(1,169,655)
<b>FUND BALANCES, BEGINNING</b>	1,029,800	1,029,800	1,159,357	129,557
<b>FUND BALANCES, ENDING</b>	<u>\$ 1,040,098</u>	<u>\$ 1,040,098</u>	<u>\$ -</u>	<u>\$ (1,040,098)</u>

\* = Exempt from Oregon Budget Law

*The accompanying notes are an integral part of these financial statements*

**TUALATIN DEVELOPMENT COMMISSION  
CENTRAL URBAN RENEWAL DISTRICT PROJECT FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2011**

	Budget			Variance Positive (Negative)
	Original	Final	Actual	
<b>REVENUES:</b>				
Interest	\$ 33,895	\$ 33,895	\$ 18,408	\$ (15,487)
Total revenues	33,895	33,895	18,408	(15,487)
<b>EXPENDITURES:</b>				
Materials and service	176,000	176,000	18,444	157,556
Capital outlay	3,117,135	3,117,135	1,319,488	1,797,647
Contingency	236,000	236,000	-	236,000
Total expenditures	3,529,135	3,529,135	1,337,932	2,191,203
Revenues over (under) expenditures	(3,495,240)	(3,495,240)	(1,319,524)	2,175,716
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(236,000)	(236,000)	(236,000)	-
Total other financing sources (uses)	(236,000)	(236,000)	(236,000)	-
Net changes in fund balances	(3,731,240)	(3,731,240)	(1,555,524)	2,175,716
<b>FUND BALANCES, BEGINNING</b>	3,731,794	3,731,794	4,233,184	501,390
<b>FUND BALANCES, ENDING</b>	<u>\$ 554</u>	<u>\$ 554</u>	<u>\$ 2,677,660</u>	<u>\$ 2,677,106</u>

*The accompanying notes are an integral part of these financial statements*

**TUALATIN DEVELOPMENT COMMISSION  
LEVETON TAX INCREMENT DISTRICT PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2011**

	Budget			Variance Positive (Negative)
	Original	Final	Actual	
<b>REVENUES:</b>				
Interest	\$ 74,969	\$ 74,969	\$ 43,237	\$ (31,732)
Total revenues	74,969	74,969	43,237	(31,732)
<b>EXPENDITURES:</b>				
Materials and service	20,000	20,000	-	20,000
Capital outlay	5,124,310	5,124,310	164,159	4,960,151
Contingency	500,000	500,000	-	500,000
Total expenditures	5,644,310	5,644,310	164,159	5,480,151
Revenues over (under) expenditures	(5,569,341)	(5,569,341)	(120,922)	5,448,419
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	386,428	386,428	134,169	(252,259)
Transfers out	(256,000)	(256,000)	(256,000)	-
Total other financing sources (uses)	130,428	130,428	(121,831)	(252,259)
Net changes in fund balances	(5,438,913)	(5,438,913)	(242,753)	5,196,160
<b>FUND BALANCES, BEGINNING</b>	7,799,863	7,799,863	8,216,430	416,567
<b>FUND BALANCES, ENDING</b>	<u>\$ 2,360,950</u>	<u>\$ 2,360,950</u>	<u>\$ 7,973,677</u>	<u>\$ 5,612,727</u>

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**INDEPENDENT AUDITOR'S REPORT REQUIRED  
BY OREGON STATE REGULATIONS**

**INDEPENDENT AUDITOR'S REPORT  
REQUIRED BY OREGON STATE REGULATION**

We have audited the basic financial statements of Tualatin Development Commission, as of and for the year ended June 30, 2011 and have issued our report thereon dated December 12, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations.

Compliance

As part of obtaining reasonable assurance about whether 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 the Oregon Administrative Rules 162-010-0000 through 162-010-0320 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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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:

- Deposits of public funds with financial institutions (ORS Chapter 295).
- Indebtedness, limitations, restrictions, and repayments.
- 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, and 279C).
- The Commission does not have any elected officials collecting or receiving money.

In connection with our testing, nothing came to our attention that caused us to believe the Tualatin Development Commission was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, included the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-010-000 through 162-010-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered Tualatin Development 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 Tualatin Development Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Tualatin Development Commission's internal control over financial reporting.

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

A handwritten signature in cursive script that reads "Merina & Company".

Merina & Company, LLP  
West Linn, Oregon  
December 12, 2011