

TUALATIN DEVELOPMENT COMMISSION

FINANACIAL STATEMENTS



For the Fiscal Year Ended June 30, 2012



TUALATIN DEVELOPMENT COMMISSION
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June 30, 2012

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INTRODUCTORY SECTION

**TUALATIN DEVELOPMENT COMMISSION
BOARD OF COMMISSIONERS
June 30, 2012**

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 the Tualatin Development Commission, a component unit of the City of Tualatin, Oregon (the Commission), as of and for the year ended June 30, 2012, 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 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 Commission, as of June 30, 2012, 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 management's discussion and analysis 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 required supplementary information, as listed in the table of contents, is the responsibility of management and was 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 was 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 19, 2012

**TUALATIN DEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

As management of the Tualatin Development Commission (the Commission), a component unit of the City of Tualatin (the City), Oregon, we offer the readers of the financial statements this narrative presenting an overview and analysis of the financial activities of the Commission for the fiscal year ended June 30, 2012. The analysis focuses on significant financial issues, major financial activities, and resulting changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements and notes that follow.

Financial Highlights

- The assets of the Commission totaled approximately \$42.4 million at June 30, 2012, and consisted of approximately \$7.6 million in cash and cash equivalents along with capital assets of approximately \$34.8 million.
- Net assets (assets minus liabilities) were approximately \$41.9 million at June 30, 2012.
- As of June 30, 2012, the Commission had no outstanding debt.
- Total net assets of the Commission decreased by approximately \$1.2 million during fiscal year 2012 as a result of expenses related to urban renewal projects and activities as well as depreciation expense of \$836,111.

Overview of Financial Statements

The Commission's basic financial statements and other required supplementary information are presented using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34. The basic financial statements are comprised of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

The basic financial statements present financial information about the Commission as a whole and about its activities. Following the basic financial statements is the required supplementary information which provides a budgetary comparison for the Commission's Economic Development Administration Fund. Finally, completing the document is other supplementary information and the report of the independent certified public accountants, as required by statute.

Government-wide Financial Statements

The government-wide financial statements are comprised of the Statement of Net Assets and the Statement of Activities and were designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private-sector business i.e. from the economic resources measurement focus using the accrual basis of accounting.

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

**TUALATIN DEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

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 Commission would extend to other non-financial factors such as the condition of Commission 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 Commission’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). 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.

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.

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.

**TUALATIN DEVELOPMENT COMMISSION
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2012**

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 four funds: the Economic Development Administration Fund, the Central Urban Renewal District Project Fund, the Central Urban Renewal District Bond Fund, and the Leveton Tax Increment District Project Fund (inactive). All are governmental funds; the Economic Development 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 bond fund was used to account for debt used to fund projects.

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 Analysis

This section discusses and analyzes significant changes from the prior year.

Statement of Net Assets

A condensed version of the Statement of Net Assets as of June 30 is as follows:

	<u>2012</u>	<u>2011</u>	<u>Change</u>
Current and other assets	\$ 7,559,457	\$ 11,249,405	\$ (3,689,948)
Capital assets, net	<u>34,810,596</u>	<u>32,131,616</u>	<u>2,678,980</u>
Total assets	42,370,053	43,381,021	(1,010,968)
Current Liabilities	<u>464,815</u>	<u>289,016</u>	<u>175,799</u>
Net assets:			
Invested in capital assets, net of related debt	34,810,596	31,980,399	2,830,197
Restricted	<u>7,094,642</u>	<u>11,111,606</u>	<u>(4,016,964)</u>
Total net assets	<u>\$ 41,905,238</u>	<u>\$ 43,092,005</u>	<u>\$ (1,186,767)</u>

**TUALATIN DEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Commission, assets exceed liabilities by \$41,905,238 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.

Statement of Activities

The Commission's Statement of Activities for the fiscal years ended June 30 is as follows:

	<u>2012</u>	<u>2011</u>	<u>Change</u>
Revenues:			
Interest and miscellaneous	\$ 51,364	\$ 76,327	\$ (24,963)
Expenses:			
General government	103,921	304,427	(200,506)
Depreciation	836,111	1,184,227	(348,116)
Total expenses	<u>940,032</u>	<u>1,488,654</u>	<u>(548,622)</u>
Change in net assets before transfers	(888,668)	(1,412,327)	523,659
Transfers	<u>(298,099)</u>	<u>(3,271,081)</u>	<u>2,972,982</u>
Change in net assets	<u>(1,186,767)</u>	<u>(4,683,408)</u>	<u>3,496,641</u>
Beginning net assets, as restated	<u>43,092,005</u>	<u>47,775,413</u>	<u>(4,683,408)</u>
Ending net assets	<u>\$ 41,905,238</u>	<u>\$ 43,092,005</u>	<u>\$ (1,186,767)</u>

As tax increment revenues ceased in fiscal year 2010, the primary source of revenue is interest income. Total expenses decreased by a total of \$548,622, as a result of personnel costs no longer being paid with remaining funds as well as a reduction in depreciation expense of \$348,116.

Capital Assets

It is the purpose of the 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.

As of June 30, 2012, the Commission had invested \$34.8 million in capital assets, net of depreciation as reflected in the following table, which represents a net increase (additions less deductions and depreciation) of \$2.7 million.

**TUALATIN DEVELOPMENT COMMISSION
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2012**

	June 30,		Change
	2012	2011	
Land	\$ 8,757,198	\$ 8,749,958	\$ 7,240
Improvements and infrastructure	18,193,175	16,893,269	1,299,906
Construction in progress	13,880,382	11,672,437	2,207,945
Less accumulated depreciation	<u>(6,020,159)</u>	<u>(5,184,048)</u>	<u>(836,111)</u>
Total Capital Assets, net	<u>34,810,596</u>	<u>32,131,616</u>	<u>2,678,980</u>

Please refer to Note 4 of the basic financial statements for further detailed information on the Commission’s capital assets.

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 \$1.4 million was spent in the Central Urban Renewal District during FY 2012, primarily related to the continued design and construction work for the Tualatin-Sherwood Road landscape project, which will continue into 2012-2013. The project will provide pedestrian enhancements and landscape improvements between east of Martinazzi Avenue to Boones Ferry Road.

In the Leveton Tax Increment District, over \$2.1 million was expended for design and improvements for Herman Road from 108th Avenue to 124th Avenue and design and right-of-way acquisition for the Leveton Drive Extension project including SW 130th Avenue and SW 128th Avenue. These projects continue improvements of the transportation system in the industrial area of Tualatin consistent with the plan.

Debt Administration

As of June 30, 2012, the Commission had no outstanding debt.

Discussion of Significant Changes in Individual Fund Balances

The Central Urban Renewal District Project Fund ended with an ending fund balance of \$1,115,183, down from a beginning fund balance of \$2,677,660. This change is the result of continued expenditures on capital projects in the fund.

The Leveton Tax Increment District Project Fund ending fund balance decreased in 2012 to \$5,661,131 from \$7,973,677 in 2011. The decrease in fund balance is due to expenditures on capital projects within the renewal district.

The Bond Funds in both project areas were reduced to zero in 2011 and no changes to fund balance were experienced during 2012.

**TUALATIN DEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

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

The Commission's financial statements are designed to present users including taxpayers, citizens, customers, investors and creditors with a general overview of the Commission's finances and overall accountability. If you have any questions about the contents of this report, or need additional financial information, please contact the City of Tualatin's Finance Director at 18880 S.W. Martinazzi Avenue, Tualatin, Oregon, 97062.

BASIC FINANCIAL STATEMENTS

TUALATIN DEVELOPMENT COMMISSION
STATEMENT OF NET ASSETS
June 30, 2012

	<u>Governmental Activities</u>
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 7,559,457
Total current assets	<u>7,559,457</u>
Noncurrent assets:	
Capital assets:	
Nondepreciable	22,637,580
Depreciable, net	<u>12,173,016</u>
Total noncurrent assets	<u>34,810,596</u>
Total assets	<u>\$ 42,370,053</u>
LIABILITIES:	
Current liabilities:	
Accounts payable and other current liabilities	\$ 464,724
Due to other governments	<u>91</u>
Total liabilities	<u>464,815</u>
NET ASSETS:	
Invested in capital assets, net of related debt	34,810,596
Restricted for:	
Urban renewal projects	<u>7,094,642</u>
Total net assets	<u>41,905,238</u>
Total liabilities and net assets	<u>\$ 42,370,053</u>

The accompanying notes are an integral part of these financial statements

TUALATIN DEVELOPMENT COMMISSION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

	<u>Expenses</u>	<u>Program Revenues</u>		Net Revenue (Expenses) and Changes in Net Assets
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
EXPENSES:				
General Government	\$ 103,921	\$ 511	\$ -	\$ (103,410)
Depreciation	<u>836,111</u>	<u>-</u>	<u>-</u>	<u>(836,111)</u>
Total activities	<u>940,032</u>	<u>511</u>	<u>-</u>	<u>(939,521)</u>
GENERAL REVENUES:				
Interest				50,853
Transfers to the City of Tualatin, net				<u>(298,099)</u>
Total general revenues				<u>(247,246)</u>
Change in net assets				(1,186,767)
NET ASSETS, BEGINNING				<u>43,092,005</u>
NET ASSETS, ENDING				<u><u>\$ 41,905,238</u></u>

The accompanying notes are an integral part of these financial statements

**TUALATIN DEVELOPMENT COMMISSION
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2012**

	Economic Development Administration Fund	Central Urban Renewal District Bond Fund	Central Urban Renewal District Project Fund	Leveton Tax Increment District Project Fund	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 334,626	\$ 60,000	\$ 1,206,217	\$ 5,958,614	\$ 7,559,457
Total assets	<u>\$ 334,626</u>	<u>\$ 60,000</u>	<u>\$ 1,206,217</u>	<u>\$ 5,958,614</u>	<u>\$ 7,559,457</u>
LIABILITIES:					
Accounts payable and other current liabilities	\$ 16,207	\$ 60,000	\$ 91,034	\$ 297,483	\$ 464,724
Due to other governments	91	-	-	-	91
Total liabilities	<u>16,298</u>	<u>60,000</u>	<u>91,034</u>	<u>297,483</u>	<u>464,815</u>
FUND BALANCES:					
Restricted for:					
Urban renewal projects	<u>318,328</u>	<u>-</u>	<u>1,115,183</u>	<u>5,661,131</u>	<u>7,094,642</u>
Total fund balance	<u>318,328</u>	<u>-</u>	<u>1,115,183</u>	<u>5,661,131</u>	<u>7,094,642</u>
Total liabilities and fund balance	<u>\$ 334,626</u>	<u>\$ 60,000</u>	<u>\$ 1,206,217</u>	<u>\$ 5,958,614</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.					
					<u>34,810,596</u>
Net assets					<u>\$ 41,905,238</u>

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, 2012**

	Economic Development Administration Fund	Central Urban Renewal District Bond Fund	Central Urban Renewal District Project Fund	Leveton Tax Increment District Project Fund	Total Governmental Funds
REVENUES:					
Interest	\$ 1,548	\$ -	\$ 12,591	\$ 36,714	\$ 50,853
Miscellaneous	511	-	-	-	511
Total revenues	2,059	-	12,591	36,714	51,364
EXPENDITURES:					
Current:					
General government	90,067	-	-	-	90,067
Capital outlay	-	-	1,400,068	2,128,877	3,528,945
Total expenditures	90,067	-	1,400,068	2,128,877	3,619,012
Revenues over (under) expenditures	(88,008)	-	(1,387,477)	(2,092,163)	(3,567,648)
OTHER FINANCING SOURCES (USES):					
Transfers in	420,000	-	-	24,617	444,617
Transfers out	(322,716)	-	(175,000)	(245,000)	(742,716)
Total other financing sources (uses)	97,284	-	(175,000)	(220,383)	(298,099)
Net change in fund balances	9,276	-	(1,562,477)	(2,312,546)	(3,865,747)
FUND BALANCE, BEGINNING	309,052	-	2,677,660	7,973,677	10,960,389
FUND BALANCE, ENDING	<u>\$ 318,328</u>	<u>\$ -</u>	<u>\$ 1,115,183</u>	<u>\$ 5,661,131</u>	<u>\$ 7,094,642</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, 2012**

Amounts reported in the statement of activities are different because:

Net change in fund balance		\$ (3,865,747)
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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	(836,111)	
Capital asset additions	<u>3,515,091</u>	2,678,980

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>-</u>
Changes in net assets		<u><u>\$ (1,186,767)</u></u>

The accompanying notes are an integral part of these financial statements

TUALATIN DEVELOPMENT COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

(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.

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, 2012.

B. Basic Financial Statements

The Commission's financial operations are presented at both the government-wide and fund financial levels. All activities of 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, 2012

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 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 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 Basis 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.

TUALATIN DEVELOPMENT COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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. 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

TUALATIN DEVELOPMENT COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

G. Net Assets

In the commission-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, if any, are considered unrestricted.

H. Fund Balance

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.

TUALATIN DEVELOPMENT COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

I. 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.

(2) Cash and Cash Equivalents

At June 30, 2012 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>\$ 7,534,928</u>
Total	<u><u>\$ 7,534,928</u></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

TUALATIN DEVELOPMENT COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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.

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, 2012, none of the Commission’s bank balances were exposed to custodial 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, 2012, was as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Economic Development Adm. Fund	\$ 420,000	\$ 322,716
Leveton Project Fund	24,617	245,000
Central Urban Renewal District Project Fund	-	175,000
City of Tualatin – Road Op/Gas Tax Fund	-	24,617
City of Tualatin – General Fund	<u>322,716</u>	<u>-</u>
Total Transfers	<u>\$ 767,333</u>	<u>\$ 767,333</u>

TUALATIN DEVELOPMENT COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

(4) Capital Assets

Capital asset activity for the ended June 30, 2012, was as follows:

Governmental Activities:	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, non-depreciable:				
Land	\$ 8,749,958	\$ 7,240	\$ -	\$ 8,757,198
Construction in Progress	11,672,437	3,507,851	(1,299,906)	13,880,382
Total capital assets, non-depreciable	20,422,395	3,515,091	(1,299,906)	22,637,580
Capital assets, depreciable:				
Improvements	3,108,835	1,299,263	-	4,408,098
Infrastructure	13,784,434	643	-	13,785,077
Total capital assets, depreciable	16,893,269	1,299,906	-	18,193,175
Total	37,315,664	4,814,997	(1,299,906)	40,830,755
Less accumulated depreciation for:				
Improvements	(666,844)	(146,763)	-	(813,607)
Infrastructure	(4,517,204)	(689,348)	-	(5,206,552)
Total accumulated depreciation	(5,184,048)	(836,111)	-	(6,020,159)
Net depreciable capital assets	11,709,221	463,795	-	12,173,016
Net capital assets	\$ 32,131,616	\$ 3,978,886	\$ (1,299,906)	\$ 34,810,596

(5) Risk Management

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

(6) Subsequent Events

The Commission follows the provision of Statement of Financial Accounting Standards (SFAS) No. 165, "Subsequent Events" (ASC 855). ASC 855 established new accounting and disclosure requirements for subsequent events. Management has evaluated subsequent events through the date the financial statements were issued. There were no subsequent events that required disclosure.

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
ECONOMIC DEVELOPMENT ADMINISTRATION FUND - GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2012**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Interest	\$ 1,000	\$ 1,000	\$ 1,548	\$ 548
Miscellaneous	-	-	511	511
Total revenues	1,000	1,000	2,059	1,059
EXPENDITURES:				
Personal service	111,661	111,661	44,128	67,533
Materials and service	95,512	95,512	45,939	49,573
Contingency	191,111	191,111	-	191,111
Total expenditures	398,284	398,284	90,067	308,217
Revenues over (under) expenditures	(397,284)	(397,284)	(88,008)	309,276
OTHER FINANCING SOURCES (USES):				
Transfers in	420,000	420,000	420,000	-
Transfers out	(322,716)	(322,716)	(322,716)	-
Total other financing sources (uses)	97,284	97,284	97,284	-
Net change in fund balances	(300,000)	(300,000)	9,276	309,276
FUND BALANCE, BEGINNING	300,000	300,000	309,052	9,052
FUND BALANCE, ENDING	\$ -	\$ -	\$ 318,328	\$ 318,328

The accompanying notes are an integral part of these financial statements

TUALATIN DEVELOPMENT COMMISSION
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2012

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:

Capital Project Funds

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

**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, 2012**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Interest	\$ 6,000	\$ 6,000	\$ 12,591	\$ 6,591
Total revenues	6,000	6,000	12,591	6,591
EXPENDITURES:				
Materials and service	76,000	76,000	-	76,000
Capital outlay	1,733,279	1,733,279	1,400,068	333,211
Contingency	297,642	297,642	-	297,642
Total expenditures	2,106,921	2,106,921	1,400,068	706,853
Revenues over (under) expenditures	(2,100,921)	(2,100,921)	(1,387,477)	713,444
OTHER FINANCING SOURCES (USES):				
Transfers out	(175,000)	(175,000)	(175,000)	-
Total other financing sources (uses)	(175,000)	(175,000)	(175,000)	-
Net change in fund balances	(2,275,921)	(2,275,921)	(1,562,477)	713,444
FUND BALANCE, BEGINNING	2,603,185	2,603,185	2,677,660	74,475
FUND BALANCE, ENDING	\$ 327,264	\$ 327,264	\$ 1,115,183	\$ 787,919

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, 2012**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Interest	\$ 30,000	\$ 30,000	\$ 36,714	\$ 6,714
Total revenues	30,000	30,000	36,714	6,714
EXPENDITURES:				
Materials and service	10,000	10,000	-	10,000
Capital outlay	4,840,600	4,840,600	2,128,877	2,711,723
Contingency	764,340	764,340	-	764,340
Total expenditures	5,614,940	5,614,940	2,128,877	3,486,063
Revenues over (under) expenditures	(5,584,940)	(5,584,940)	(2,092,163)	3,492,777
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	24,617	24,617
Transfers out	(245,000)	(245,000)	(245,000)	-
Total other financing sources (uses)	(245,000)	(245,000)	(220,383)	24,617
Net change in fund balances	(5,829,940)	(5,829,940)	(2,312,546)	3,517,394
FUND BALANCE, BEGINNING	7,441,430	7,441,430	7,973,677	532,247
FUND BALANCE, ENDING	<u>\$ 1,611,490</u>	<u>\$ 1,611,490</u>	<u>\$ 5,661,131</u>	<u>\$ 4,049,641</u>

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

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

We have audited the basic financial statements of the Tualatin Development Commission, a component unit of the City of Tualatin, Oregon (the Commission), as of and for the year ended June 30, 2012 and have issued our report thereon dated December 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the 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 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial 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. The Commission does not receive highway funds.
- Authorized investment of surplus funds. (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, and 279C).
- Accountability for collecting or receiving money by elected officials. 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 Commission was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

OAR 162-10-0230 Internal Control

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

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 19, 2012