TUALATIN DEVELOPMENT COMMISSION

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

TUALATIN *ON THE MOVE*

Connecting families, community, business and volunteers...

TUALATIN DEVELOPMENT COMMISSION – A COMPONENT UNIT OF THE CITY OF TUALATIN

FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

For the Fiscal Year Ended

June 30, 2017

Prepared by the City of Tualatin – Department of Finance

Don Hudson, Finance Director

TUALATIN DEVELOPMENT COMMISSION
TABLE OF CONTENTS
June 30, 2017

Page

INTRODUCTORY SECTION

Board of Commissioners i

FINANCIAL SECTION

Independent Auditor's Report 1
Management's Discussion and Analysis 4

Basic Financial Statements

Statement of Net Position 10
Statement of Activities 11
Balance Sheet – Governmental Funds 12
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds 13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities 14

Notes to the Basic Financial Statements 15

Required Supplementary Information 22

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual Urban Redevelopment Administration Fund 23

Notes to the Required Supplementary Information 24

Other Supplementary Data 25

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Central Urban Renewal District Project Fund 26
Leveton Urban Renewal District Project Fund 27

Independent Auditor's Report Required by Oregon State Regulations 28

THIS PAGE INTENTIONALLY LEFT BLANK

INTRODUCTORY SECTION

TUALATIN DEVELOPMENT COMMISSION
BOARD OF COMMISSIONERS
June 30, 2017

Commissioners	**Term Expires**
Lou Ogden, Mayor	December 31, 2018
Frank Bubenik, Position No. 1	December 31, 2018
Paul Morrison, Position No. 2	December 31, 2020
Jeff DeHaan, Position No. 3	December 31, 2018
Robert Kellogg, Position No. 4	December 31, 2020
Nancy Grimes, Position No. 5	December 31, 2018
Joelle Davis, Council President, Position No. 6	December 31, 2020

THIS PAGE INTENTIONALLY LEFT BLANK

FINANCIAL SECTION

MERINA
& COMPANY, LLP
Certified Public Accountants and Consultants

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

PARTNERS
KAMALA K. AUSTIN, CPA • TONYA M. MOFFITT, CPA • ROBERT P. CROW, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Tualatin Development Commission
City of Tualatin, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Tualatin Development Commission (Commission), a component unit of the City of Tualatin, Oregon, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Commission's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

5499 AMY STREET · WEST LINN, OREGON 97068 · PHONE: (503) 723-0300 · FAX: (503) 723-9946 WWW.MERINACPAS.COM

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commission, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis and statement of revenues, expenditures, and changes in fund balance – budget and actual, as listed in the table of contents under required supplementary information, 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 statement of revenues, expenditures, and changes in fund balance – budget and actual, as listed in the table of contents under required supplementary information, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The introductory section and other supplementary data are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary data, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic 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.

Reports on Other Legal and Regulatory Requirements

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 12, 2017, on our consideration of the Commission's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

For Merina & Company, LLP
West Linn, Oregon
December 12, 2017

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, 2016. 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 $33.7 million at June 30, 2017, and consisted of approximately $4.1 million in cash and cash equivalents along with capital assets of approximately $29.7 million.

- Net position (assets minus liabilities) was approximately $33.7 million at June 30, 2017.

- As of June 30, 2017, the Commission had no outstanding debt.

- Total net position of the Commission decreased by approximately $1.5 million during fiscal year 2017 as a result of expenses related to urban renewal projects and activities as well as depreciation expense of $1.4 million.

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 Position 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 Position. This statement presents information on all of the Tualatin Development Commission's assets and liabilities, with the difference between the two reported as *net position*. 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 position 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 position changed during the most recent fiscal year. All changes in net position 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 <u>total amount</u> 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 <u>fund</u> 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 four funds: the Economic Development Administration Fund, the Central Urban Renewal District Project Fund, the Central Urban Renewal District Bond Fund (inactive), and the Leveton Tax Increment District Project Fund. 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 Position

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

	2017	2016	Change
Current and other assets	$ 4,072,652	$ 4,229,225	$ (156,573)
Capital assets, net	29,675,536	31,050,158	(1,374,622)
Total assets	33,748,188	35,279,383	(1,531,195)
Current liabilities	56,110	64,005	(7,895)
Net position:			
Net investment in capital assets	29,675,536	31,050,158	(1,374,622)
Restricted	4,016,542	4,165,220	(148,678)
Total net position	$ 33,692,078	$ 35,215,378	$ (1,523,300)

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Commission, assets exceed liabilities by $33,692,078 at the end of the most recent fiscal year. The

largest portion of the Commission's net position reflects the net 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:

	2017	2016	Change
Revenues:			
Interest and miscellaneous	$ 44,551	$ 40,250	$ 4,301
Expenses:			
Community Development	106,969	90,636	16,333
Depreciation	1,374,622	1,374,619	3
Total expenses	1,481,591	1,465,255	16,336
Change in net position before transfers	(1,437,040)	(1,425,005)	(12,035)
Transfers	(86,260)	(87,070)	810
Change in net position	(1,523,300)	(1,512,075)	(11,225)
Net position, beginning	35,215,378	36,727,453	(1,512,075)
Net position, ending	$ 33,692,078	$ 35,215,378	$ (1,523,300)

As tax increment revenues ceased in fiscal year 2010, the primary source of revenue is interest income. Total expenses increased by a total of $16,336, primarily as a result of an increase in the wetland mitigation requirements on completed capital projects within the Leveton Tax Increment District.

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, 2017, the Commission had invested $29.7 million in capital assets, net of depreciation as reflected in the following table, which represents a net decrease (additions less deductions and depreciation) of $1.4 million.

	June 30, 2017	2016	Change
Land	$ 8,757,198	$ 8,757,198	$ -
Improvements and infrastructure	33,606,863	33,606,863	-
Construction in progress	-	-	-
Less accumulated depreciation	(12,688,525)	(11,313,903)	(1,374,622)
Total Capital Assets, net	29,675,536	31,050,158	(1,374,622)

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). Approximately $6k was spent in the Central Urban Renewal District during FY 2017 related to Landscape and Pedestrian improvements along Tualatin-Sherwood Road.

In the Leveton Tax Increment District, approximately $72 thousand was expended primarily for wetland mitigation requirements related to capital projects that were completed within the district.

Debt Administration

As of June 30, 2017, 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 $119,406, down from a beginning fund balance of $124,258. This change is the result of continued expenditures on capital projects exceeding interest income and miscellaneous income in the fund.

The Leveton Tax Increment District Project Fund ending fund balance decreased in 2017 to $3,730,142 from $3,847,778 in 2016. The decrease in fund balance is due to expenditures on capital projects within the renewal district.

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.

THIS PAGE INTENTIONALLY LEFT BLANK

BASIC FINANCIAL STATEMENTS

TUALATIN DEVELOPMENT COMMISSION
STATEMENT OF NET POSITION
June 30, 2017

	Governmental Activities
ASSETS:	
Current assets:	
Cash and cash equivalents	$ 4,072,652
Noncurrent assets:	
Capital assets:	
Nondepreciable	8,757,198
Depreciable, net	20,918,338
Total noncurrent assets	29,675,536
Total assets	$ 33,748,188
LIABILITIES:	
Current liabilities:	
Accounts payable and other current liabilities	$ 56,110
NET POSITION:	
Net investment in capital assets	29,675,536
Restricted for:	
Urban renewal projects	4,016,542
Total net position	33,692,078
Total liabilities and net position	$ 33,748,188

The accompanying notes are an integral part of these financial statements

TUALATIN DEVELOPMENT COMMISSION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

	Expenses	Program Revenues		Net Revenue (Expenses) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
EXPENSES:				
Community development	$ 106,969	$ -	$ -	$ (106,969)
Depreciation	1,374,622	-	-	(1,374,622)
Total activities	1,481,591	-	-	(1,481,591)
GENERAL REVENUES:				
Interest				44,551
Transfers to the City of Tualatin, net				(86,260)
Total general revenues				(41,709)
Change in net position				(1,523,300)
NET POSITION, BEGINNING				35,215,378
NET POSITION, ENDING				$ 33,692,078

The accompanying notes are an integral part of these financial statements

TUALATIN DEVELOPMENT COMMISSION
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2017

	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	$ 167,844	$ 55,000	$ 119,406	$ 3,730,402	$ 4,072,652
LIABILITIES:					
Accounts payable and other current liabilities	$ 850	$ 55,000	$ -	$ 260	$ 56,110
FUND BALANCES:					
Restricted for:					
Urban renewal projects	166,994	-	119,406	3,730,142	4,016,542
Total fund balance	166,994	-	119,406	3,730,142	4,016,542
Total liabilities and fund balance	$ 167,844	$ 55,000	$ 119,406	$ 3,730,402	
	Amounts reported in the statement of net position are different because:				
	Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.				29,675,536
Net position					$ 33,692,078

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, 2017

	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	2,517	-	1,251	40,783	44,551
EXPENDITURES:					
Current:					
Community development	28,707	-	-	-	28,707
Capital outlay	-	-	6,103	72,159	78,262
Total expenditures	28,707	-	6,103	72,159	106,969
Revenues under expenditures	(26,190)	-	(4,852)	(31,376)	(62,418)
OTHER FINANCING USES:					
Transfers out	-	-	-	(86,260)	(86,260)
Total other financing uses	-	-	-	(86,260)	(86,260)
Net change in fund balances	(26,190)	-	(4,852)	(117,636)	(148,678)
FUND BALANCE, BEGINNING	193,184	-	124,258	3,847,778	4,165,220
FUND BALANCE, ENDING	$ 166,994	$ -	$ 119,406	$ 3,730,142	$ 4,016,542

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, 2017

Amounts reported in the statement of activities are different because:

Net change in fund balance	$	(148,678)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.		(1,374,622)
Changes in net position	$	(1,523,300)

The accompanying notes are an integral part of these financial statements

(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, 2017.

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.

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 is 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 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. 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 Position 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

G. Net Position

In the commission-wide financial statements, net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets represents capital assets less accumulated depreciation less outstanding principal of related debt. Net investment in capital assets does not include the unspent proceeds of capital debt. Restricted net position represents net position restricted by parties outside of the Commission (such as creditors, grantors, contributors, laws, and regulations of other governments) and includes unspent proceeds of bonds issued to acquire or construct capital assets.

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.

Committed – Includes amounts that have been committed by resolution by the Commission's Board of Commissioners which is the Commission's "highest level of decision-making authority." Committed amounts may not be used for any other purpose unless the Board of Commissioners removes the constraint by similar board action. Commitments of fund balance must be made prior to the end of the fiscal year.

Assigned – Includes amounts assigned for specific purposes by Commission action. Assigned fund balance is established by the Commission through adoption or amendment of the budget as intended for specific purposes.

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

Use of restricted resources, 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.

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, 2017 investments included in cash and cash equivalents consist of the following:

	Fair Value
Investments in the State Treasurer's Local Government Investment Pool	$ 4,046,528
Total	$ 4,046,528

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 Treasure'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.

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, 2017, 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, 2017, were as follows:

	Transfer In	Transfer Out
Leveton Project Fund	$ -	$ 86,260
City of Tualatin - General Fund	86,260	-
	$ 86,260	$ 86,260

(4) Capital Assets

Capital asset activity for the ended June 30, 2017, was as follows:

Primary Government	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, non-depreciable:				
Land	$ 8,757,198			$ 8,757,198
Total capital assets, non-depreciable	8,757,198	-	-	8,757,198
Capital assets, depreciable:				
Improvements	16,795,885			16,795,885
Infrastructure	16,810,978			16,810,978
Total capital assets, depreciable	33,606,863	-	-	33,606,863
Less accumulated depreciation for:				
Improvements	(2,749,647)	(538,563)		(3,288,210)
Infrastructure	(8,564,256)	(836,059)		(9,400,315)
Total accumulated depreciation	(11,313,903)	(1,374,622)	-	(12,688,525)
Net depreciable capital assets	22,292,960	(1,374,622)	-	20,918,338
Net capital assets	$ 31,050,158	$ (1,374,622)	$ -	$ 29,675,536

(5) Risk Management

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

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are

- Budgetary Comparison Schedules
  - Economic Development Administration Fund

TUALATIN DEVELOPMENT COMMISSION
ECONOMIC DEVELOPMENT ADMINISTRATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2017

	Budget			Variance Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Interest	$ 825	$ 825	$ 2,517	$ 1,692
EXPENDITURES:				
Materials and service	65,400	65,400	28,707	36,693
Contingency	99,935	99,935	-	99,935
Total expenditures	165,335	165,335	28,707	136,628
Revenues under expenditures	(164,510)	(164,510)	(26,190)	138,320
Net changes in fund balances	(164,510)	(164,510)	(26,190)	138,320
FUND BALANCES, BEGINNING	164,510	164,510	193,184	28,674
FUND BALANCES, ENDING	$ -	$ -	$ 166,994	$ 166,994

The accompanying notes are an integral part of these financial statements

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.

THIS PAGE INTENTIONALLY LEFT BLANK

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
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2017

	Budget			Variance Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Interest	$ 1,100	$ 1,100	$ 1,251	$ 151
EXPENDITURES:				
Capital outlay	125,000	125,000	6,103	118,897
Revenues under expenditures	(123,900)	(123,900)	(4,852)	119,048
Net changes in fund balances	(123,900)	(123,900)	(4,852)	119,048
FUND BALANCES, BEGINNING	123,900	123,900	124,258	358
FUND BALANCES, ENDING	$ -	$ -	$ 119,406	$ 119,406

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, 2017

	Budget			Variance Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Interest	$ 35,000	$ 35,000	$ 40,783	$ 5,783
EXPENDITURES:				
Capital outlay	150,000	150,000	72,159	77,841
Contingency	35,440	35,440	-	35,440
Total expenditures	185,440	185,440	72,159	113,281
Revenues under expenditures	(150,440)	(150,440)	(31,376)	119,064
OTHER FINANCING USES:				
Transfers out	(86,260)	(86,260)	(86,260)	-
Net changes in fund balances	(236,700)	(236,700)	(117,636)	119,064
FUND BALANCES, BEGINNING	3,836,420	3,836,420	3,847,778	11,358
FUND BALANCES, ENDING	$ 3,599,720	$ 3,599,720	$ 3,730,142	$ 130,422

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATION

MERINA & COMPANY, LLP
Certified Public Accountants and Consultants

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

PARTNERS
KAMALA K. AUSTIN, CPA • TONYA M. MOFFITT, CPA • ROBERT P. CROW, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *OREGON STATE REGULATION*

Board of Commissioners
Tualatin Development Commission
City of Tualatin, Oregon

We have audited the basic financial statements of the Tualatin Development Commission (Commission), a component unit of the City of Tualatin, Oregon, as of and for the year ended June 30, 2017 and have issued our report thereon dated December 12, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State.

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 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:

- 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.

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. 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 162-10-330 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 (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

For Merina & Company, LLP
West Linn, Oregon
December 12, 2017