

Popular Annual Financial Report

For the Fiscal Year Ended
June 30, 2022

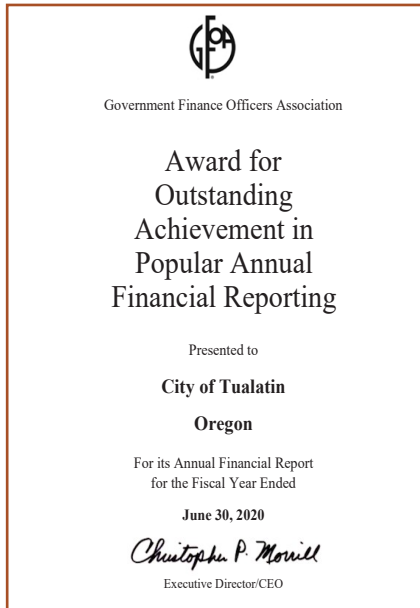
City of Tualatin,
Oregon



City of Tualatin



www.tualatinoregon.gov



Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to City of Tualatin for its Popular Annual Financial Report for the fiscal year ended June 30, 2020. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. City of Tualatin has received a Popular Award for the last three consecutive years.

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Finance Department

www.tualatin.gov/finance

503-691-3054

Letter from the Finance Director



Don Hudson is the Assistant City Manager/Finance Director of the City of Tualatin. He has served as the Finance Director since 2008 and was promoted to Assistant City Manager in 2019. Previously, he served as the Finance Director for the City of Stayton, OR.

He is a member of GFOA, is Past President of the Oregon Government Finance Officers Association and Chair of the Finance and Taxation Committee for the League of Oregon Cities.

Dear Residents and Businesses of Tualatin,

I am pleased to present the City's Popular Annual Financial Report for the fiscal year ended June 30, 2022. The goal of the Popular Annual Financial Report is to provide an easy-to-read version of our Annual Comprehensive Financial Report which is our complete set of financial statements produced in accordance with generally accepted accounting principles (GAAP) and audited by a firm of licensed certified public accountants every year.

The City of Tualatin has established comprehensive internal controls that are designed to protect the City's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the City of Tualatin's financial statements. Merina+Co, a firm of licensed certified public accountants, has audited the City of Tualatin's financial statements and concluded, based upon the audit, that the City's financial statements for the fiscal year ended June 30, 2022, are fairly presented in conformity with GAAP.

The City continues to provide quality services to our residents and customers. During fiscal year 2021/2022, we continued to provide these services in our usual ways, with some changes brought on by the COVID-19 pandemic. The fiscal year also brought some new and exciting openings. The Tualatin City Services building opened, housing the Community Development and Public Works Departments, providing for one-stop shopping for development services. It also houses the Tualatin Municipal Court. The Splash Pad on the Tualatin Commons was completely renovated and the new spray patterns and design were a hit with kids, especially on hot days. Kids and adults alike have been enjoying the Tualatin Library's new Makerspace classroom. This facility has been a popular educational room using hands-on learning of Science, Technology, Engineering, Arts and Mathematics (STEAM). The other highlight in fiscal year 2021/2022 was the implementation of a Mental Health Response Team, in partnership with Washington County Health and Human Services, Tigard Police Department and Sherwood Police Department. This team partners a master's level Mental Health Clinician with a Police Officer to better respond to a mental health crisis. The team also provides valuable follow-up to the individual in need.

The City has received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA) for the last 31 years. The Certificate of Achievement for Excellence in Financial Reporting Program encourages and assists local governments to go beyond the minimum requirements of generally accepted accounting principles in preparing annual comprehensive financial reports that evidence the spirit of transparency and full disclosure. We have received the Award for Outstanding Achievement in Popular Annual Financial Reporting for the last three years, while waiting on the results of the 2020/2021 PAFR submission. Additionally, the City has been awarded the Distinguished Budget Presentation Award for the last 10 years, making the City of Tualatin a GFOA Triple Crown Winner.

For a complete copy of our Annual Comprehensive Financial Report, as well as the City's FY 2022/2023 Budget, please visit our website at www.tualatinoregon.gov/finance. If you have any questions about any of these documents, please contact our Finance Department at 503-691-3054.

Sincerely,

Don Hudson
Assistant City Manager/Finance Director

City of Tualatin | City Council Members



Mayor Frank Bubenik



Council President
Nancy Grimes



Position #1
Maria Reyes



Position #2
Christen Sacco



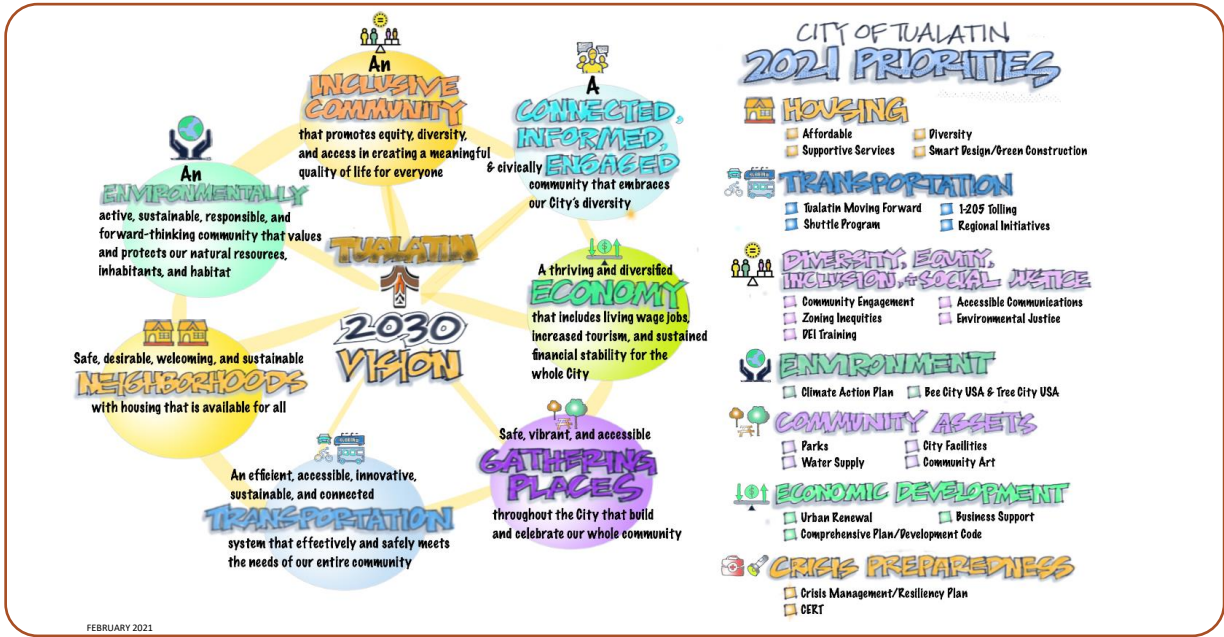
Position #3
Bridget Brooks



Position #4
Cyndy Hillier

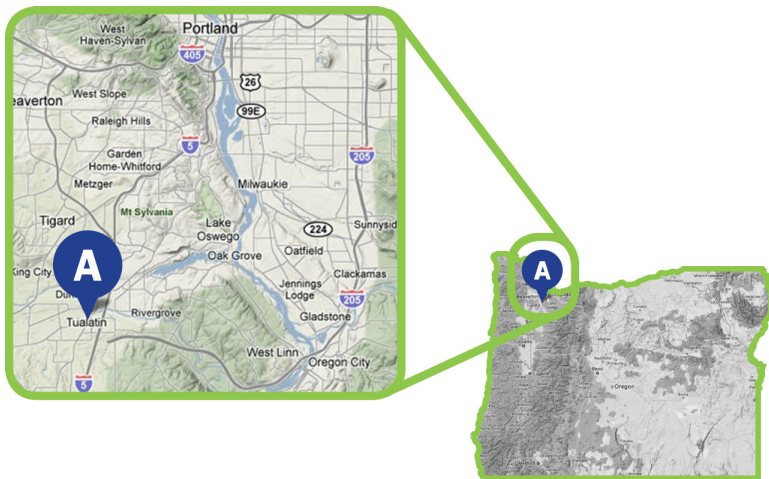


Position #6
Valerie Pratt



Tualatin's Profile & Demographics

Incorporated	1913
Population	27,338
City Property Tax Rate	2.2665
Bond Rating (Moody's)	Aa1
Registered voters - total	18,141
- Clackamas County	2,230
- Washington County	15,911
# of business licenses	1,664
Total employees in Tualatin	159.0
# of Library items checked out	321,693
Elevation	125 feet
Parks	10
Greenway trails/natural areas	322 acres
Miles of streets	81 miles
# of volunteers hours in 2021	8,400



About Tualatin

Tualatin was incorporated in 1913. It is located in two counties. SW 65th Avenue, adjacent to Meridian Park Hospital, is the dividing line - with Clackamas County to the east and Washington County to the west.

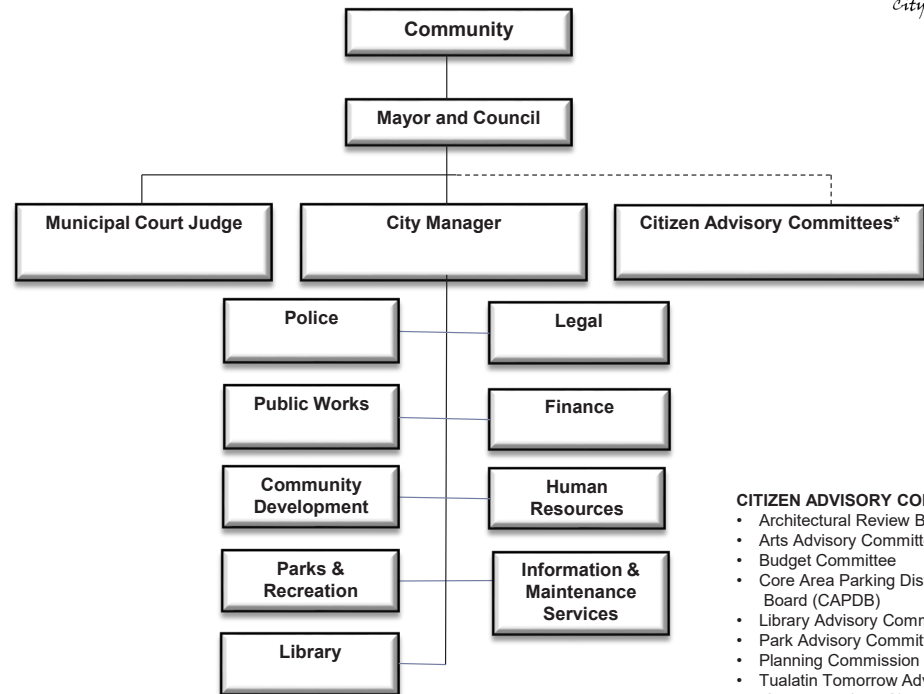
Tualatin began as a small village called Galbreath at a ferry crossing on the Tualatin River. Samuel Galbreath began the ferry service in 1853. In 1856, Galbreath built the first bridge across the Tualatin River, and the town's name was changed to "Bridgeport." Located along one of the first "improved" roads, Boones Ferry Road, Bridgeport thrived

by attracting businesses from Portland and throughout the Willamette Valley. The community's accommodations were simple: a blacksmith shop, boarding house, general store, and saloon.

In 1886, the Portland & Willamette Railway Company purchased a right-of-way through John Sweek's land on the Tualatin River's west bank opposite Bridgeport. Profiting from the sale, Sweek took advantage of the railroad's location and plotted a town around the depot - he called the new town Tualatin.



Organization Chart



- CITIZEN ADVISORY COMMITTEES:**
- Architectural Review Board (ARB)
 - Arts Advisory Committee (TAAC)
 - Budget Committee
 - Core Area Parking District Board (CAPDB)
 - Library Advisory Committee (TLAC)
 - Park Advisory Committee (TPARK)
 - Planning Commission (TPC)
 - Tualatin Tomorrow Advisory Committee (TTAC)

**CITY OF TUALATIN
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
June 30, 2022**

Taxpayer	2022			2013		
	Assessed Value	Rank	% of Total City Taxable Assessed Value	Assessed Value	Rank	% of Total City Taxable Assessed Value
Lam Research Corporation ²	\$ 243,263,385	1	4.70%	81,367,570	2	2.39%
Portland General Electric	161,146,000	2	3.11%	-	-	0.00%
BV Centercal LLC	139,944,375	3	2.70%	102,292,681	1	3.01%
Campbell Soup Supply Company, LLC ³	65,955,950	4	1.27%	39,749,380	4	1.17%
Pacific Realty Associates	55,320,670	5	1.07%	23,324,710	9	0.00%
JAE Oregon, Inc	52,758,180	6	1.02%	24,426,840	6	0.72%
Tuala Northeast LLC	53,227,820	7	1.03%	40,794,770	3	1.20%
Mohawk St Property LLC	43,543,758	8	0.84%	-	-	0.00%
CR Rivercrest Meadows Communities LLC	34,150,210	9	0.66%	26,173,370	8	0.77%
KW Hedges Creek LLC	34,113,880	10	0.66%	-	-	0.00%
SVF Hedges Creek Tualatin LLC	-	-	-	26,145,520	5	0.77%
Zian Limited Partnership	-	-	-	25,906,690	7	0.76%
Fujimi Corporation	-	-	-	24,146,650	10	0.71%
	<u>\$ 883,424,228</u>		<u>17.06%</u>	<u>\$ 414,328,181</u>		<u>11.49%</u>

¹ Source: Washington and Clackamas County Assessor's records

² Lam Research Corporation previously operated as Novellus Systems Inc.

³ Campbell Soup Supply Company, LLC previously reported as Pacific Foods of Oregon, Inc.

⁴ Measure 50 rolled back the assessed value of each unit of property for the tax year 1977-98 to its 1995-96 "real market value", less 10%. Measure 50 limits any increase in assessed value, excluding major improvements, to 3% per year for the tax years after 1997-98.



**CITY OF TUALATIN
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
June 30, 2022**

Employer	2022			2013		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Lam Research Corporation	2,984	1	10.61%	659	2	2.67%
Legacy Meridian Park Hospital	990	2	3.52%	905	1	3.67%
Pacific Foods of Oregon	600	3	2.13%	280	10	1.13%
United Parcel Services	593	4	2.11%	512	3	2.07%
Nortek Air Solutions	522	5	1.86%	-	-	-
Portland General Electric	478	6	1.70%	478	4	1.94%
Amazon.com Services LLC	369	7	1.31%	-	-	-
Columbia Corrugated	327	8	1.16%	320	7	1.30%
Fred Meyer	292	9	1.04%	-	-	-
Ichor Systems Inc	286	10	1.02%	-	-	-
Huntair	-	-	-	460	5	1.86%
Precision Wire Components	-	-	-	457	6	1.85%
Veris Industries LLC	-	-	-	300	8	1.22%
DPI Northwest	-	-	-	300	9	1.22%
	<u>7,441</u>			<u>4,671</u>		
Total City employment			<u>28,129</u>			

Information derived from Business License data provided to the City of Tualatin.



OVERVIEW OF AUDITED RESULTS

The following summary highlights are taken directly from the Management Discussion and Analysis section of the fiscal year 2022 Annual Comprehensive Financial Report.

- The City's assets and deferred outflows of resources totaled approximately \$247.4 million at June 30, 2022, and consisted of approximately \$81.9 million in cash and investments, \$149.6 million in capital assets and approximately \$15.9 million in other assets and deferred outflows of resources. Total assets and deferred outflows of resources increased by \$10.1 million from the previous fiscal year.
- The City's liabilities and deferred inflows of resources totaled \$62.5 million at June 30, 2022, consisting of approximately \$42.0 million in long-term obligations, \$6.2 million in accounts payable and other liabilities, and \$14.4 million in deferred inflows related to pensions and other post-employment benefit obligations.
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$184.9 million at the close of fiscal year 2022. Unrestricted net position totaled \$27.5 million, with the remainder of the City's net position reported as net investment in capital assets (\$132.6 million) and restricted for building and engineering, street and roadside maintenance, debt service, capital projects, transportation, urban renewal, and capital improvements (\$24.8 million).
- For its governmental activities, the City generated \$10.6 million in charges for services and received \$3.6 million in operating and capital grants and contributions. Direct expenses, including interest on long-term debt for governmental activities were \$32.4 million for the year, resulting in a net expense of \$18.3 million. \$23.3 million of general revenues received and \$3.2 million of transfers in resulted in an increase in net position of \$8.5 million.
- For its business-type activities, the City generated \$23.5 million in charges for services and capital grants and contributions to fund direct expenses of \$18.4 million.



Statement of Net Position - Balance Sheet

This Statement of Net Position reflects a healthy financial condition as of June 30, 2022. This balance sheet is presented as a high-level summary of net position.

	<u>As of June 30, 2022</u>	<u>As of June 30, 2021</u>	<u>As of June 30, 2020</u>
Assets			
Current and other assets	\$ 87,051,299	\$ 80,117,785	\$ 81,215,513
Capital assets	149,634,758	147,553,057	141,647,510
Leased assets	77,155		
Total assets	<u>236,763,212</u>	<u>227,670,842</u>	<u>222,863,023</u>
Deferred Outflows of Resources	<u>10,698,224</u>	<u>9,726,045</u>	<u>9,370,822</u>
Liabilities			
Current Liabilities	6,151,033	4,918,489	4,158,082
Long-term liabilities	42,042,436	55,589,407	52,006,908
Total liabilities	<u>48,193,469</u>	<u>60,507,896</u>	<u>56,164,990</u>
Deferred Inflows of Resources	<u>14,354,870</u>	<u>2,923,047</u>	<u>1,786,445</u>
Net Position	<u>\$ 184,913,097</u>	<u>\$ 173,965,944</u>	<u>\$ 174,282,410</u>

For greater detail, see the City's complete Annual Comprehensive Financial Report on our website at www.tualatinoregon.gov/finance.

Statement of Activities/Income Statement

This statement presents high-level summary information about how the City's net position changed during fiscal year 2022 as a result of all financial activity (i.e. revenues and expenses).

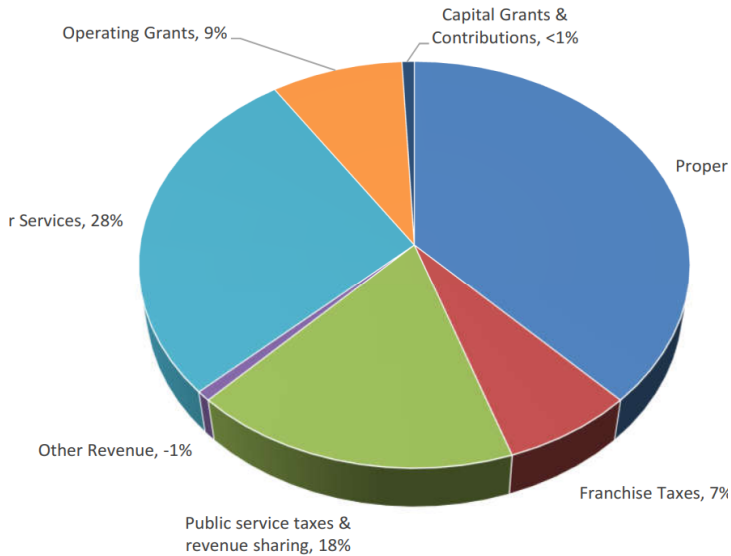
	FY 2022	FY 2021	FY 2020
Revenues	\$ 61,815,760	50,581,315	\$ 53,256,412
Expenses	(50,868,607)	(50,897,781)	(50,877,850)
Increase (Decrease) in net position	\$ 10,947,153	(316,466)	2,378,562
Net position, beginning of year	173,965,944	174,282,410	171,903,848
Net position, end of year	<u>\$ 184,913,097</u>	<u>173,965,944</u>	<u>174,282,410</u>

For greater detail, see the City's complete Annual Comprehensive Financial Report on our website at www.tualatinoregon.gov/finance.

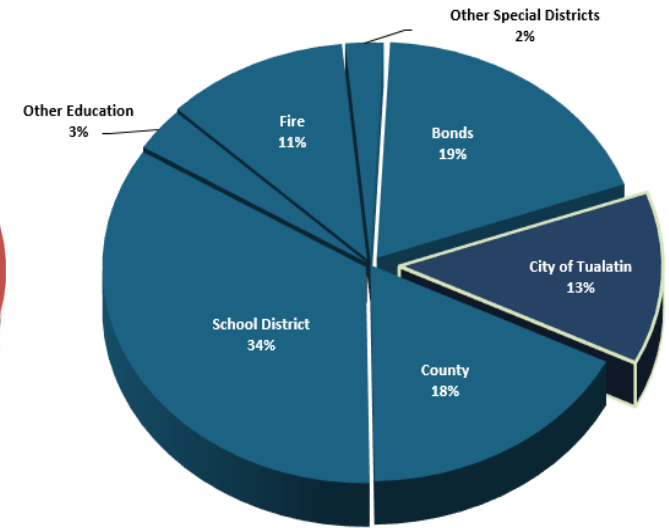
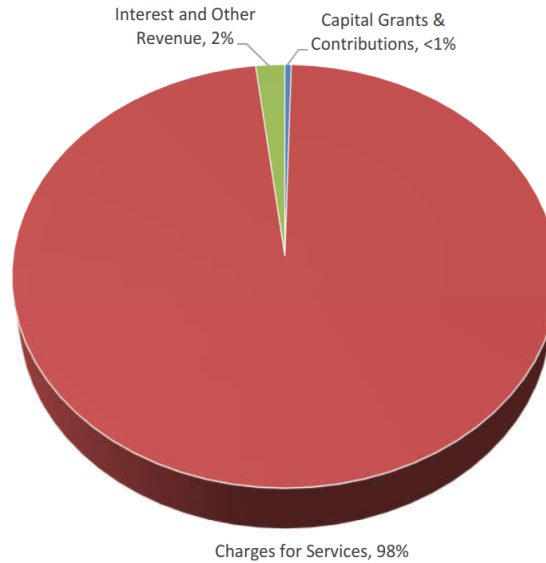


WHERE THE MONEY COMES FROM

Revenues by Source - Governmental Activities



Revenues by Source - Business-type Activities



The City utilizes 23 funds to account for its financial activities. These funds are grouped into two separate categories: governmental activities and business-type activities. Governmental activities are the basic services provided by the City and include services such as public safety, public works, parks and recreation, library, and general administration. Property taxes and franchise fees fund the majority of these services.

Business-type activities are its water, sewer and stormwater services, which the City charges fees to customers to cover the costs of providing these services.

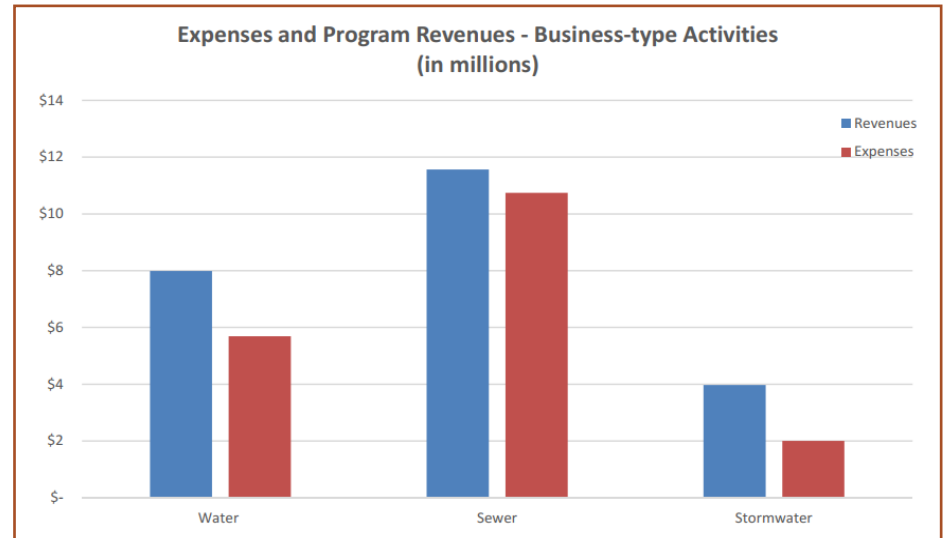
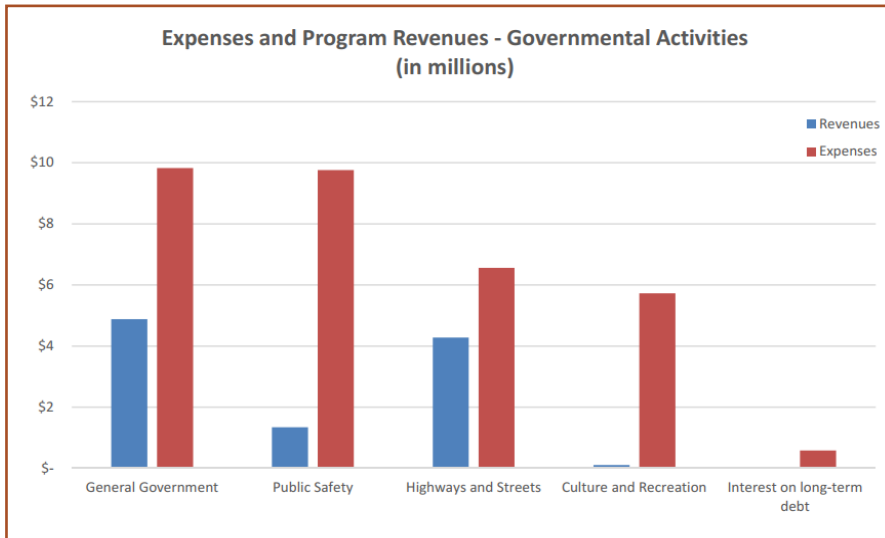
Major revenue types include property taxes, franchise fees which are charged to utilities for the use of public right-of-way, fees and charges for services, licenses and fees, and intergovernmental revenue in the form of grants and shared revenues. Annual property taxes are based upon the assessed value, as opposed to the market value, of your property. The average Tualatin resident pays \$17.56 per \$1,000 of assessed value. Therefore, a homeowner with an assessed value of \$200,000 pays property tax of \$3,512 annually. Of this amount, the City of Tualatin receives approximately 13%, or \$456.

TAX COMPARISONS

City	Tax Rate
Lake Oswego	\$4.9703
Beaverton	\$4.1466
Sherwood	\$3.2975
Wilsonville	\$2.5206
Tigard	\$2.5131
Tualatin	\$2.2665
West Linn	\$2.1200

WHERE THE MONEY GOES

Expenses and Program Revenues



Major Expenditure Areas

General Government - This category includes expenses incurred by the City Council, City Manager, Community Development, Finance, Human Resources, Legal, Information Services, and Maintenance Services.

Public Safety - This category includes expenses incurred by the Building Department, Municipal Court and the Police Department.

Highways and Streets - This category includes expenses incurred by Engineering, Road Operating and Utility Fee Funds, as well as the Transportation Development Tax.

Culture and Recreation - This category includes expenses incurred by the Library, Parks and Recreation and maintenance of the City's parks and open space.

Interest on long-term debt - This category includes interest payments on general obligation debt financed by property taxes, and other Full Faith and Credit obligations. The City's favorable Aa1 bond rating helps obtain lower interest rates on long-term debt obligations, therefore lowering debt costs and the general obligation bond levy amount paid by the City's taxpayers.

Business-type Activities - This category includes expenditures incurred for water, sewer and stormwater operations and development.

ADOPTED BUDGET

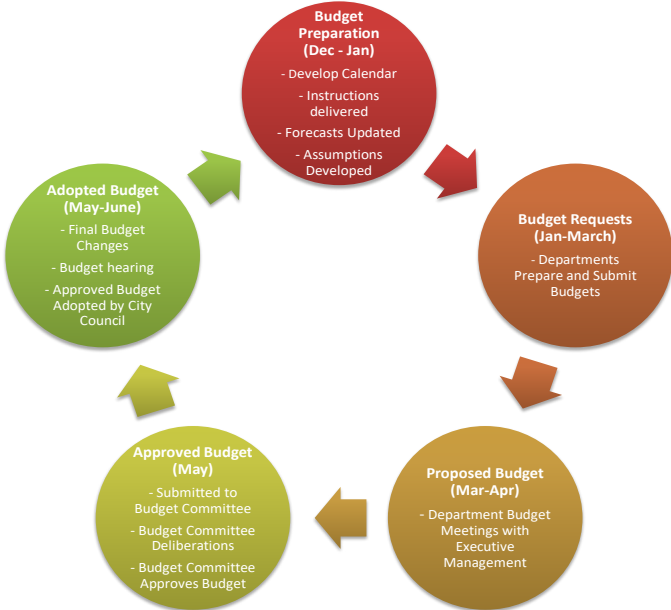
The Tualatin Budget Advisory Committee unanimously approved the budget which was then adopted by the City Council on June 27, 2022.

Oregon Budget Law sets specific steps that must be followed during this process. The City’s budget is the financial plan that contains estimates of revenues and expenses for the budgeted period. An adopted budget gives the City its authority to spend public money.

	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY2023</u>
City Budget				
Personal Services	\$ 22,343,157	\$ 20,296,339	\$ 22,042,160	\$ 23,573,345
Materials & Services	\$ 19,445,059	\$ 19,773,800	\$ 25,253,485	\$ 24,408,965
Transfers	\$ 10,703,050	\$ 7,121,001	\$ 7,808,520	\$ 8,749,875
Capital Outlay	\$ 5,597,135	\$ 12,479,560	\$ 14,875,160	\$ 28,010,000
Debt Service	\$ 3,776,049	\$ 3,874,589	\$ 3,975,175	\$ 4,074,070
Other Financing Uses		\$ 42,800		
Contingencies & Reserves	\$ <u>72,159,442</u>	\$ <u>71,012,661</u>	\$ <u>63,022,200</u>	\$ <u>50,623,310</u>
Total City Budget	\$ <u>134,023,892</u>	\$ <u>134,600,750</u>	\$ <u>136,976,700</u>	\$ <u>139,439,565</u>

The Budget Process

To the right is a graph of the Budget Process in Tualatin. The complete budget process is presented in our full budget document. To view the entire budget, please visit our website at www.tualatinoregon.gov/finance. A copy of the budget is also available at the Tualatin Public Library.



GENERAL FINANCIAL INFORMATION

Most City services and projects are accounted for in a set of accounts known as governmental funds. The following are the funds (and descriptions) currently in use by the City:

- **General Fund** - Accounts for revenues and expenditures associated with the general operations of the City that are not required to be accounted for in separate funds.
- **Enterprise Funds** - These funds are used to account for operations that are financed and operated in a manner similarly to private business enterprises. The intent of the government body is that the costs of providing the services to the general public on a continuing basis be financed primarily through user charges. The funds represent three segments of operations - Water, Sewer, and Stormwater.
- **Special Revenue Funds** - Accounts for proceeds of specific revenue sources that are restricted or committed to expenditure of specific purposes other than payment of debt or funding of capital projects. Special Revenue funds don't include resources held in trust for individuals, private organizations, or other governments.
- **Capital Projects Funds** - Accounts for financial resources to be used for the acquisition or construction of major capital items and facilities.
- **Internal Service Funds** - Accounts for the financing of goods or services provided by one department or agency to other departments or agencies of the government and other government units, on a cost reimbursement basis.
- **Debt Service Funds** - Accounts for the accumulation of funds that are restricted, committed, or assigned to expenditure for principal and interest on debt.



FINANCIAL POLICIES

Below is a summary of goals of the City's Financial Policies. For the entire copy of our Financial Policies, please visit our website at www.tualatinoregon.gov/finance

Purpose

Financial policies are vital to a strategic, long-term approach to financial management, and to achieve and maintain a stable and positive financial position while ensuring financial integrity of City operations. They are used as a guideline for operational decision making and maintaining a fiscally prudent budget while carrying out the needs and wants of the City of Tualatin and its citizens. These policies establish parameters in which we operate while providing a standard against which our fiscal performance can be judged.

Operating Budget

The City shall prepare, present, adopt and amend its operating budget in accordance with Oregon Local Budget Law before sending the approved budget to the City Council for adoption.

Revenue Policies

The goal of the Revenue Policy is to create and maintain a diversified and stable revenue system to mitigate the impact of short-term fluctuations in any revenue source and provide a stable revenue stream to support City services.

Expenditure Policies

The City shall prioritize services, establish appropriate service levels, and manage the

expenditure of available resources while ensuring fiscal stability and providing necessary services.

Capital Improvement Plan Policies

The goal of this policy is to provide guidelines for annually reviewing and monitoring the City's Capital Improvement Plan, and monitoring the state of the City's capital equipment and infrastructure, and setting priorities for its replacement and renovation based on needs, funding alternatives, and availability of resources.

Investment Policies

Invest the City's operating cash to ensure its legality and safety, provide for necessary liquidity, avoid imprudent risk, and optimize yield, while meeting the requirements of ORS 294.035.

Contingency and Reserve Policies

To ensure that the City maintain a prudent level of financial resources to protect against the need to reduce service levels due to temporary revenue shortfalls or unpredicted one-time expenditures.

Capital Asset Management Policies

This policy addresses capital asset planning, acquisition, funding and management in order to ensure fiscally responsible stewardship.

Accounting, Auditing & Financial Reporting Policies

The City shall comply with federal, state, and local statues and regulations and conform to generally accepted accounting practices (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB), The American Institute of Certified Public Accountants (AICPA), and the Government Finance Officers Association (GFOA).

Debt Policy

This policy establishes guidelines for debt financing that will provide needed capital equipment and infrastructure improvements while minimizing the impact of debt payments on current revenues.



CITY OF TUALATIN



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503-692-2000

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Audit Conducted by
Merina+Co
www.merinacpas.com
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The financial statements of the City, are intended to provide its citizens, investors, creditors, and customers with a general overview of the finances of the City. The financial statements also demonstrate the City's accountability for the resources it receives and expends.

The information in this report is taken from the audited Annual Comprehensive Financial Report for the year ended June 30, 2022. Financial data in this report are consistent with Generally Accepted Accounting Principles (GAAP).

For further detail of the information provided in this report, the Annual Comprehensive Financial Report and the 2022-2023 Budget document can be viewed online at www.tualatinoregon.gov/finance

CITY STAFF

Sherilyn Lombos, City Manager
Don Hudson, Assistant City Manager/Finance Director
Greg Pickering, Police Chief
Rachel Sykes, Public Works Director
Kim McMillan, Community Development Director
Ross Hoover, Parks & Recreation Director
Jerianne Thompson, Library Director
Stacy Ruthrauff, Human Resources Director
Bates Russell, Information & Maintenance Services Director
Megan George, Deputy City Manager

**POPULAR ANNUAL FINANCE REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2022**



CITY OF TUALATIN, OREGON
