



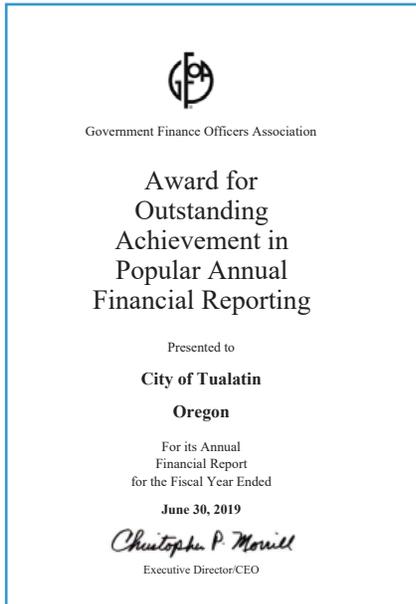
*City of Tualatin*

# Popular Annual Financial Report

For the Fiscal Year Ended June 30, 2020

**CITY OF TUALATIN, OREGON**





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, 2019. 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 two consecutive years.

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**Finance Department**

[www.tualatin.gov/finance](http://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.

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, 2020. The goal of the Popular Annual Financial Report is to provide an easy-to-read version of our Comprehensive Annual 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, 2020, are fairly presented in conformity with GAAP.

Although the onset of the pandemic created unprecedented challenges, the City's financial condition continues to remain strong. The Tualatin Moving Forward program, funded through a transportation bond issue and in its third year, continued its work during the pandemic, completing several projects and beginning work on others. Construction continued on the Tualatin City Services building, which will house all development services and utility functions, as well as the Tualatin Municipal Court. The building is scheduled to be completed in April 2021. In order to assist businesses impacted by the pandemic, the Tualatin Development Commission managed an Economic Stabilization Fund, which was reimbursed from Federal CARES Act funding. Other costs reimbursed by the CARES Act included safety equipment and other improvements to keep City staff and our customers safe. Costs related to teleworking and distance learning programs were also reimbursed, in order for the City to continue providing services to our residents and customers.

The City has received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA) for the last 28 years. The Certificate of Achievement for Excellence in Financial Reporting Program was established in 1945 to encourage and assist state and local governments to go beyond the minimum requirements of generally accepted accounting principles in preparing comprehensive annual 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 two years.

This year our goal is to submit the Popular Annual Financial Report, the Comprehensive Annual Financial Report, as well as the City's Adopted Budget, to GFOA to participate in their award programs.

For a complete copy of our Comprehensive Annual Financial Report, as well as the City's FY 2020/2021 Budget, please visit our website at [www.tualatinoregon.gov/finance](http://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  
Paul Morrison



Position #3  
Bridget Brooks



Position #4  
Robert Kellogg



Position #6  
Valerie Pratt

## 2030 Vision Statements

- An **INCLUSIVE COMMUNITY** that promotes equity, diversity, & access in creating a meaningful quality of life for everyone
- A **CONNECTED, INFORMED, & civically ENGAGED** community that embraces our City's diversity
- A thriving & diversified **ECONOMY** that includes living wage jobs, increased tourism, & sustained financial stability for the whole City
- Safe, vibrant, & accessible **GATHERING PLACES** throughout the City that build and celebrate our whole community
- An efficient, accessible, innovative, sustainable, & connected **TRANSPORTATION SYSTEM** that effectively & safely meets the needs of our entire community
- Safe, desirable, welcoming & sustainable **NEIGHBORHOODS** with housing that is available for all
- An **ENVIRONMENTALLY** active, sustainable, responsible, & forward-thinking community that values and protects our natural resources, inhabitants, & habitat

## 2021 Priorities

- HOUSING**
  - Affordable
  - Supportive Services
  - Diversity
  - Smart Design & Green Construction
- TRANSPORTATION**
  - Tualatin Moving Forward
  - Shuttle Program
  - I-205 Tolling
  - Regional Initiatives
- DIVERSITY, EQUITY, INCLUSION & SOCIAL JUSTICE**
  - Community Engagement
  - Zoning Inequities
  - DEI Training
  - Accessible Communications
  - Environmental Justice
- ENVIRONMENT**
  - Climate Action Plan
  - Bee City USA & Tree City USA
- COMMUNITY ASSETS**
  - Parks
  - Water Supply
  - City Facilities
  - Community Art
- ECONOMIC DEVELOPMENT**
  - Urban Renewal
  - Comprehensive Plan / Development Code
  - Business Support
- CRISIS PREPAREDNESS**
  - Crisis Management / Resiliency Plan
  - CERT

## Tualatin's Profile & Demographics

Incorporated	1913
Population	27,338
City Property Tax Rate	2.2665
Bond Rating (Moody's)	Aa1
Registered voters - total	18,354
- Clackamas County	2,267
- Washington County	16,087
# of business licenses	1,774
Total employees in Tualatin	159.5
# of Library items checked out	475,359
Elevation	125 feet
Parks	10
Greenway trails/natural areas	322 acres
Miles of streets	81 miles
# of volunteers hours in 2019	20,395



## 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.

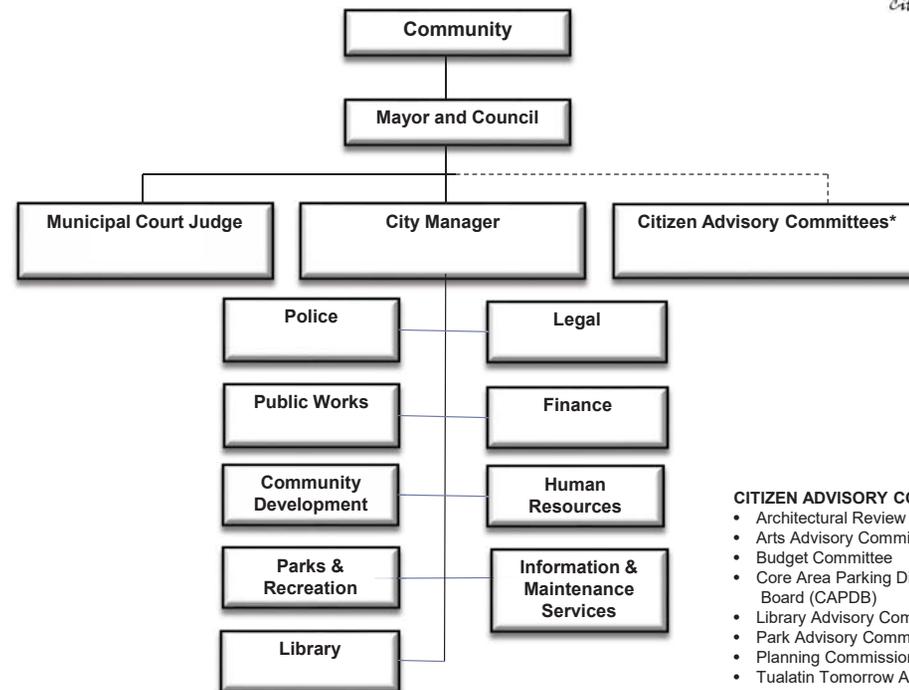
Tualatin began as a small village called Galbreath at a ferry crossing on the Tualatin River. Samuel Galbreath began the ferry service in 1853. In 1856, Galbreath built the first bridge across the Tualatin River, and the town's name was changed to "Bridgeport." Located along one of the first "improved" 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 EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO  
June 30, 2020**

Employer	2020			2011		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Lam Research Corporation	2,111	1	6.75%	650	2	3.08%
Legacy Meridian Park Hospital	990	2	3.16%	823	1	3.89%
Nortek Air Solutions (formerly CES Group LLC)	689	3	2.20%	-	-	-
Pacific Foods of Oregon, Inc	681	4	2.18%	280	10	1.32%
Portland General Electric	478	5	1.53%	314	8	1.49%
United Parcel Service	448	6	1.43%	512	3	2.42%
Milgard Windows	439	7	1.40%	-	-	-
Metro West Ambulance	381	8	1.22%	-	-	-
Creganna Medical	376	9	1.20%	-	-	-
Pacific Furniture Industries	375	10	1.20%	-	-	-
UTC Fire & Security Americas	-	-	-	500	4	2.37%
Precision Wire	-	-	-	457	5	2.16%
Tigard-Tualatin School District	-	-	-	408	6	1.93%
Huntair	-	-	-	360	7	1.70%
DPI Northwest	-	-	-	300	9	1.42%
	<u>6,968</u>			<u>4,604</u>		

Total City employment 31,290



**CITY OF TUALATIN  
PRINCIPAL PROPERTY TAXPAYERS  
CURRENT YEAR AND NINE YEARS AGO  
June 30, 2020**

Taxpayer	2020			2011		
	Assessed Value	Rank	% of Total City Taxable Assessed Value	Assessed Value	Rank	% of Total City Taxable Assessed Value
Lam Research Corporation <sup>2</sup>	\$ 198,036,461	1	4.19%	86,924,360	2	2.63%
BV Centercal LLC	129,216,697	2	2.73%	96,519,514	1	2.92%
Portland General Electric	86,522,540	3	1.83%	-	-	0.00%
Pacific Foods of Oregon Inc.	69,520,290	4	1.47%	34,776,630	4	1.05%
Pacific Realty Associates	53,709,440	5	1.14%	-	-	0.00%
Tuala Northeast LLC	51,677,500	6	1.09%	38,481,817	3	1.17%
JAE Oregon, Inc	46,964,060	7	0.99%	26,128,580	5	0.79%
Mohawk St Property LLC	41,844,420	8	0.88%	-	-	0.00%
CR Rivercrest Meadows Communities LLC	33,155,550	9	0.70%	24,670,930	6	0.75%
KW Hedges Creek LLC	33,120,280	10	0.70%	24,644,680	7	0.75%
Zian Limited Partnership	-	-	-	24,419,570	8	0.74%
Legacy Health Systems	-	-	-	23,700,313	9	0.72%
Fujimi Corporation	-	-	-	23,282,220	10	0.71%
	<u>\$ 743,767,238</u>		<u>15.73%</u>	<u>\$ 403,548,614</u>		<u>12.23%</u>

<sup>1</sup> Source: Washington and Clackamas County Assessor's records

<sup>2</sup> Lam Research Corporation previously operated as Novellus Systems Inc.

<sup>3</sup> 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.



# OVERVIEW OF AUDITED RESULTS

The following summary highlights are taken directly from the Management Discussion and Analysis section of the fiscal year 2020 Comprehensive Annual Financial Report.

- The City's assets and deferred outflows of resources totaled approximately \$232.2 million at June 30, 2020, and consisted of approximately \$77.4 million in cash and investments, \$141.6 million in capital assets and approximately \$13.1 million in other assets and deferred outflows of resources. Total assets and deferred outflows of resources increased by \$2.7 million from the previous fiscal year.
- The City's liabilities and deferred inflows of resources totaled \$58.0 million at June 30, 2020, consisting of approximately \$52.0 million in long-term obligations, \$4.2 million in accounts payable and other liabilities, and \$1.8 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 \$174.3 million at the close of fiscal year 2020. Unrestricted net position totaled \$16.1 million, with the remainder of the City's net position reported as net investment in capital assets (\$133.8 million) and restricted for building and engineering, street and roadside maintenance, debt service, capital projects, transportation, urban renewal, and capital improvements (\$24.4 million).

- For its governmental activities, the City generated \$7.3 million in charges for services and received \$0.9 million in operating and capital grants and contributions. Direct expenses, including interest on long-term debt for governmental activities were \$34.7 million for the year, resulting in a net expense of \$26.5 million. \$24.4 million of general revenues received and \$5.4 million of transfers in resulted in an increase in net position of \$3.4 million.
- For its business-type activities, the City generated \$19.9 million in charges for services and capital grants and contributions to fund direct expenses of \$16.2 million.



## Statement of Net Position - Balance Sheet

This Statement of Net Position reflects a healthy financial condition as of June 30, 2020. This balance sheet is presented as a high-level summary of net position.

	<u>As of June 30, 2020</u>	<u>As of June 30, 2019</u>	<u>As of June 30, 2018</u>
<b>Assets</b>			
Current and other assets	\$ 81,215,513	\$ 78,944,164	\$ 53,017,916
Capital assets	141,647,510	142,712,187	144,916,373
Total assets	<u>222,863,023</u>	<u>221,656,351</u>	<u>197,934,289</u>
<b>Deferred Outflows of Resources</b>	<u>9,370,822</u>	<u>7,864,386</u>	<u>6,651,797</u>
<b>Liabilities</b>			
Current Liabilities	4,158,082	7,148,030	4,306,574
Long-term liabilities	52,006,908	48,225,443	28,765,393
Total liabilities	<u>56,164,990</u>	<u>55,373,473</u>	<u>33,071,967</u>
<b>Deferred Inflows of Resources</b>	<u>1,786,445</u>	<u>2,243,416</u>	<u>1,757,976</u>
Net Position	<u>\$ 174,282,410</u>	<u>\$ 171,903,848</u>	<u>\$ 169,756,143</u>

For greater detail, see the City's complete Comprehensive Annual Financial Report on our website at [www.tualatinoregon.gov/finance](http://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 2020 as a result of all financial activity (i.e. revenues and expenses).

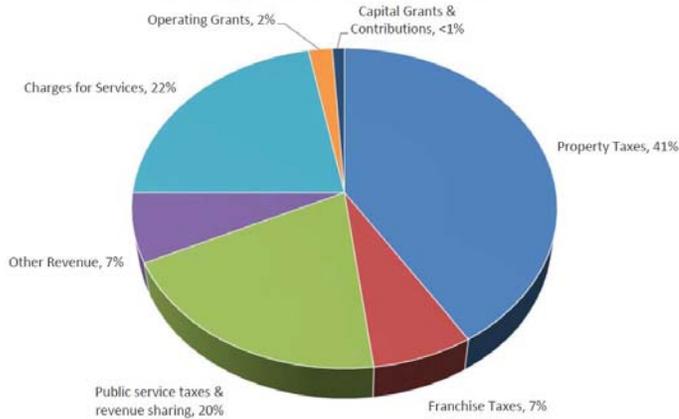
	<b>FY 2020</b>	<b>FY 2019</b>	<b>FY 2018</b>
Revenues	\$ 53,256,412	\$ 50,321,328	\$ 50,543,671
Expenses	(50,877,850)	(48,173,623)	(48,426,827)
Increase (Decrease) in net position	2,378,562	2,147,705	2,116,844
Net position, beginning of year	171,903,848	169,756,143	167,639,299
Net position, end of year	<u>\$ 174,282,410</u>	<u>\$ 171,903,848</u>	<u>\$ 169,756,143</u>

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

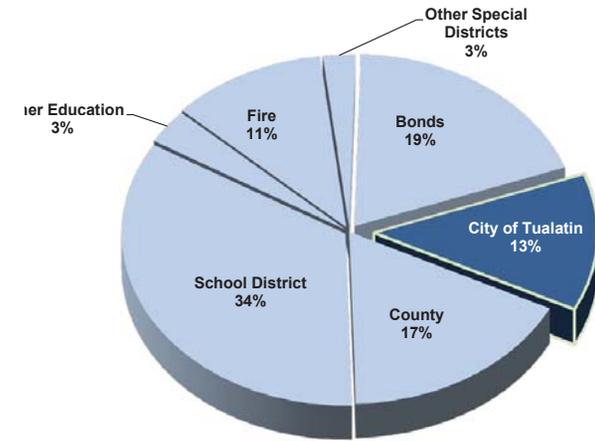
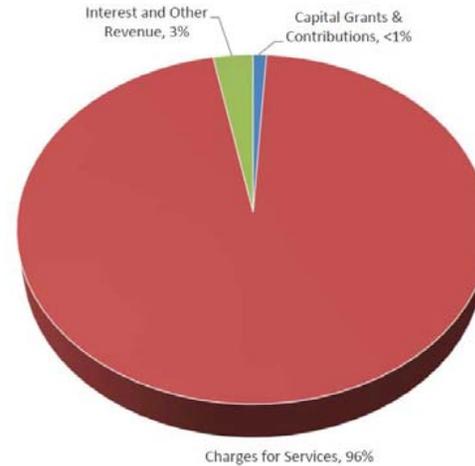


# WHERE THE MONEY COMES FROM

Revenues by Source - Governmental Activities



Revenues by Source - Business-type Activities



The City utilizes 20 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.

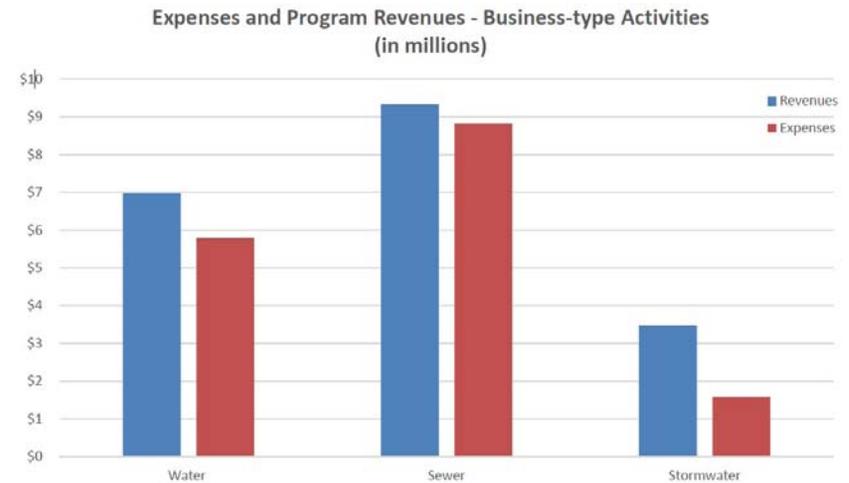
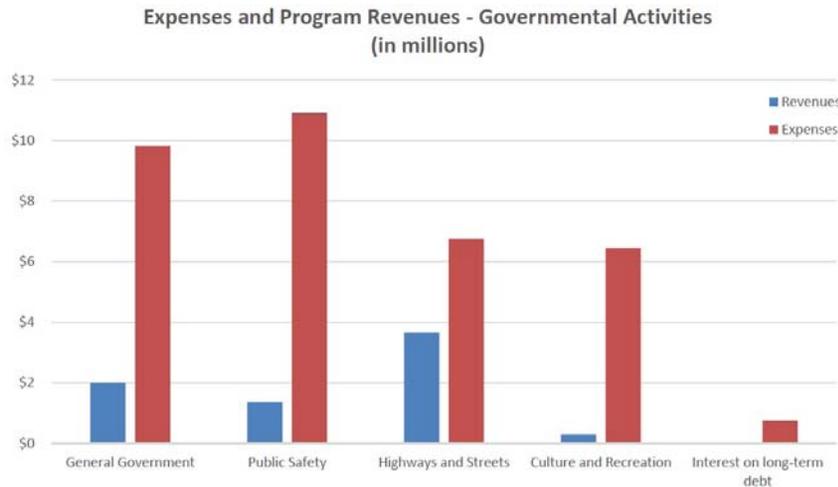
Major revenue types include property taxes, franchise fees which are charged to utilities for the use of public right-of-way, fees and charges for services, licenses and fees, and intergovernmental revenue in the form of grants and shared revenues. Annual property taxes are based upon the assessed value, as opposed to the market value, of your property. The average Tualatin resident pays \$17.38 per \$1,000 of assessed value. Therefore, a homeowner with an assessed value of \$200,000 pays property tax of \$3,476 annually. Of this amount, the City of Tualatin receives approximately 13%, or \$452.

## TAX COMPARISONS

City	Tax Rate
Lake Oswego	\$4.9703
Beaverton	\$4.1466
Sherwood	\$3.2975
Wilsonville	\$2.5206
Tigard	\$2.5131
<b>Tualatin</b>	<b>\$2.2665</b>
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, Maintenance Services, and Public Works Administration.

**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

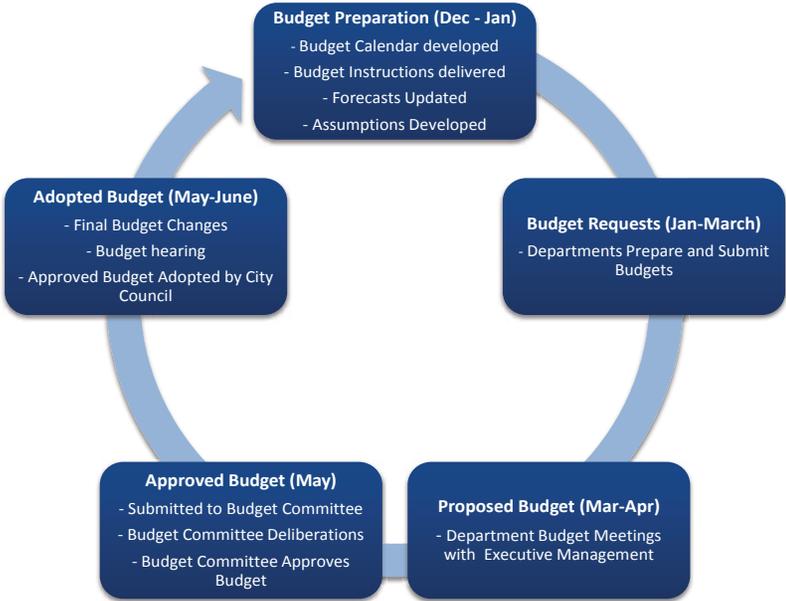
The Tualatin Budget Advisory Committee unanimously approved the budget which was then adopted by the City Council on June 24, 2020.

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 2018</u>		<u>FY 2019</u>		<u>FY 2020</u>		<u>FY 2021</u>
<b>City Budget</b>							
Personal Services	\$ 18,274,024	\$	18,834,593	\$	22,824,125	\$	21,186,265
Materials & Services	17,215,912		18,474,991	\$	20,739,525	\$	21,210,055
Transfers	6,256,249		7,635,116	\$	11,004,335	\$	7,587,815
Capital Outlay	3,202,095		6,061,690	\$	18,984,960	\$	20,254,500
Debt Service	1,600,694		7,506,401	\$	3,783,585	\$	3,908,220
Contingencies & Reserves	<u>44,170,071</u>		<u>70,627,358</u>	\$	<u>55,142,035</u>	\$	<u>59,875,710</u>
<b>Total City Budget</b>	<u>\$ 90,719,045</u>		<u>\$ 129,140,149</u>		<u>\$ 132,478,565</u>		<u>\$ 134,022,565</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](http://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.
- **Building Fund** - The Building Fund accounts for revenues from various fees collected from development for construction of buildings and expended for services rendered primarily in the City's Building Division.
- **Park Development Fund** - Accounts for capital improvements to parks funded by system development charges and other contributions.
- **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.
- **Debt Service Fund** - 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](http://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

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



18880 SW Martinazzi Avenue  
Tualatin, OR 97062  
503-692-2000

Assistant City Manager/  
Finance Director  
Don Hudson  
dhudson@tualatin.gov  
503-691-3050

Audit Conducted by  
Merina+Co  
www.merinacpas.com  
503-723-0300

Annual Financial Report Prepared by:  
Matt Warner  
Assistant Finance Director  
mwarner@tualatin.gov  
503-691-3052

PAFR Prepared by:  
Lisa Thorpe  
Management Analyst II  
lthorpe@tualatin.gov  
503-691-3054



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 Comprehensive Annual Financial Report for the year ended June 30, 2020. Financial data in this report are consistent with Generally Accepted Accounting Principles (GAAP).

For further detail of the information provided in this report, the Comprehensive Annual Financial Report and the 2019-2020 Budget document can be viewed online at [www.tualatinoregon.gov/finance](http://www.tualatinoregon.gov/finance)

## CITY STAFF

Sherilyn Lombos, City Manager  
Bill Steele, Police Chief  
Jeff Fuchs, Public Works Director  
Kim McMillan, Community Development Director/  
City Engineer  
Ross Hoover, Parks & Recreation Director  
Jerianne Thompson, Library Director  
Sean Brady, City Attorney  
Don Hudson, Assistant City Manager/Finance Director  
Stacy Ruthrauff, Human Resources Director  
Bates Russell, Information & Maintenance Services Director  
Megan George, Deputy City Manager