

CITY OF TUALATIN, OREGON
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2006

Prepared by the City of Tualatin - Department of Finance

Nancy Gritta, Finance Director

CITY OF TUALATIN, OREGON

JUNE 30, 2006

*CITY COUNCIL

TERM EXPIRES

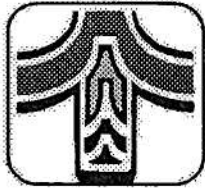
Lou Ogden, Mayor	December 31, 2006
Jay Harris, Position No. 1	December 31, 2006
Mike Gillespie, Position No. 2	December 31, 2008
Chris Bergstrom, Position No. 3	December 31, 2006
Ed Truax, Position No. 4	December 31, 2008
Chris Barhyte, Position No. 5	December 31, 2006
Bob Boryska, Position No. 6	December 31, 2008

ADMINISTRATIVE

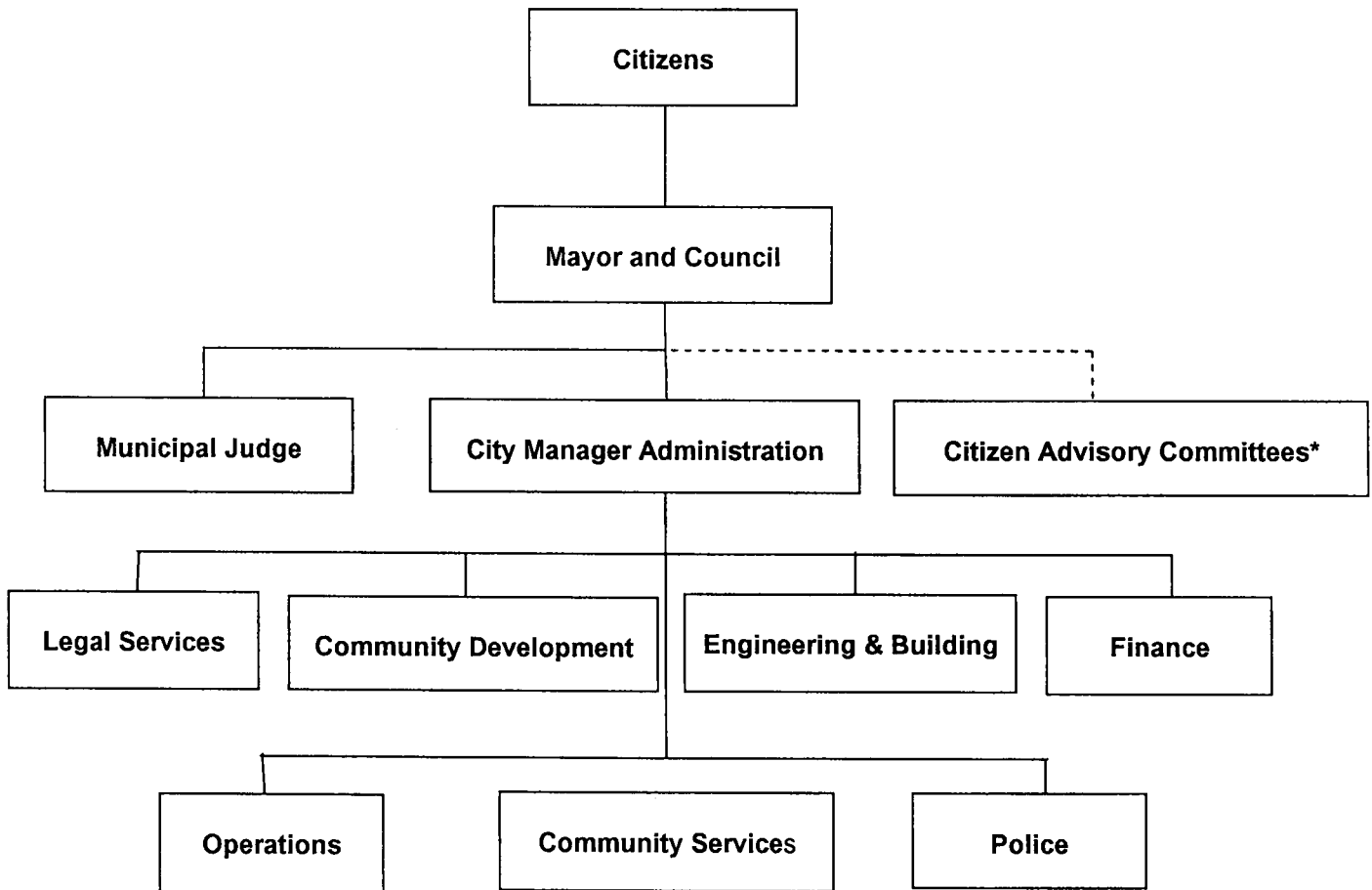
Sherilyn Lombos, City Manager
Brenda Braden, City Attorney
Nancy Gritta, Finance Director

City Hall
18880 S. W. Martinazzi Avenue
Tualatin, Oregon 97062

*City Council members may be contacted at the above City Hall address.



City of Tualatin Organization



*The Citizen Advisory Committees include the Library Advisory Committee, the Tualatin Park Advisory Committee, the Urban Renewal Advisory Committee, the Tualatin Arts Advisory Committee, the Tualatin Planning Advisory Committee, the Core Area Parking District Board, the Architectural Review Board and the Budget Committee.

City of Tualatin

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2006

TABLE OF CONTENTS

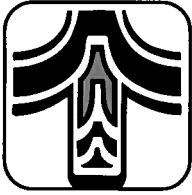
	Page
INTRODUCTORY SECTION	
Council Members and Officers	iii
Organizational Chart	iv
Letter of Transmittal	v-ix
Certificate of Achievement for Excellence of Financial Reporting	x
FINANCIAL SECTION	
Independent Auditor's Report	3-4
Management's Discussion and Analysis	5-18
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	21
Statement of Activities	22-23
Fund Financial Statements:	
Balance Sheet - Governmental Funds	26-27
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	28-29
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	30
Statement of Revenues and Expenditures - Actual and Budget (Budgetary Basis):	
General Fund	31
Park Development Fund	32
Statement of Net Assets - Proprietary Funds	34-35
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	36-37
Statement of Cash Flows - Proprietary Funds	38-39
Notes to Financial Statements	40-60
Other Supplementary Information	
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet:	
Non-major Governmental Funds	63
Non-major Special Revenue Funds	64-65
Non-major Capital Projects Funds	66
Combining Statement of Revenues, Expenditures and Changes in Fund Balances:	
Non-major Governmental Funds	67
Non-major Special Revenue Funds	68-69
Non-major Capital Projects Funds	70
Budgetary Comparison Schedules	
Schedule of Revenues and Expenditures - Actual and Budget (Budgetary Basis):	
Engineering and Building Fund	75
Operations Fund	76
Storm Drain Fund	77
Road Utility Fee Fund	78
Road Gas Tax Fund	79
Core Area Parking Fund	80
Tualatin Science & Technology Fund	81

TABLE OF CONTENTS, Continued

Road SDC Fund	82
Storm Drain SDC Fund	83
Urban Renewal Fund	84
General Obligation Bond Fund	85
Bancroft Bond Fund	86
Central Urban Renewal District Bond Sinking Fund	87
Leveton Tax Increment District Bond Sinking Fund	88
Capital Projects Fund	89
Library/Parks Improvement Fund	90
Infrastructure Fund	91
Central Urban Renewal District Projects Fund	92
Leveton Tax Increment District Projects Fund	93
Schedule of Revenues and Expenditures - Actual and Budget (Budgetary Basis)	
Proprietary Funds	
Water Fund	96
Water SDC Fund	97
Water Bond Fund	98
Water Reservoir Project Fund	99
Sewer Fund	100
Sewer SDC Fund	101
Other Financial Schedules	
Schedule of Property Tax Transactions and Balances of Taxes Uncollected:	
City of Tualatin	104
Tualatin Development Commission - Urban Renewal Agency	105
 STATISTICAL SECTION:	
Net Assets by Components	108
Changes in Net Assets	109-110
Fund Balances, Governmental Funds	111
Changes in Fund Balances, Governmental Funds	112
Tax Revenue by Source, Governmental Funds	113
Assessed and Estimated Value of Taxable Property	114
Property Tax Rates-Direct and Overlapping Governments	115
Principal Taxpayers for Washington & Clackamas Counties	116
Property Tax Levies and Collections-Last Ten Fiscal Years	117
Bonded Debt per Capita	118
Computation of Overlapping General Obligation Debt	119
Computation of Legal Debt Margin	120
Principal Employers, Current Year and Nine Years Ago	121
Schedule of Pledged Revenue Bond Coverage	122
Full-Time Equivalent City Employees by Function	123
Operating Indicators	124
Capital Asset Statistics by Function	125
 REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTS REQUIRED BY STATE STATUTES	
Auditor's Comments and Disclosures Required by State Regulations	126-127

INTRODUCTORY SECTION

This page intentionally left blank.



City of Tualatin

18880 SW Martinazzi Avenue
Tualatin, Oregon 97062-7092
Main 503.692.2000
TDD 503.692.0574

December 15, 2006

Honorable Mayor, Members of the Council, and Citizens of the City of Tualatin:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements, presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Tualatin for the fiscal year ended June 30, 2006.

Management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Tualatin has established a comprehensive internal control framework that is designed both 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 in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Tualatin's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Grove, Mueller, & Swank, P.C., a firm of licensed certified public accounts, has audited the City of Tualatin's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Tualatin for the year ended June 30, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Tualatin's financial statements for the fiscal year ended June 30, 2006, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the City of Tualatin

The City of Tualatin, incorporated in 1913, is located in Northwestern Oregon in the Portland metropolitan area, in the counties of Washington and Clackamas, just twelve minutes south of Portland's city center. The City of Tualatin currently occupies a land area of 7.9 square miles and serves a population of 25,594. The City of Tualatin is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Council.

The City's population is estimated at 25,594 for 2005-06 and is expected to increase to 25,832 as of July 1, 2007, and will increase approximately 1.5% per year to 2014.

The population's median age is younger than the Oregon median age (31.9 years compared to 36.3 years) and includes many young families with children. As the population ages, it is expected that the senior population will increase greatly in the future.

Tualatin has experienced a large growth in Hispanic residents since 1990. The percentage of Hispanics living in the City (11.9%) now exceeds the state average of 8%. The median household income in Tualatin (\$55,762) is higher than that of Washington County (\$52,122) or of the State of Oregon (\$40,916). Tualatin has a lower percentage of families living below the poverty level than does either Washington County or the State of Oregon at 4.6%.

The City of Tualatin operates under the council-manager form of government. Policy-making and legislative authority are vested in a City Council consisting of the mayor and six other members. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City's manager. The City's manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City and for appointing the heads of the various departments. The Council is elected on a non-partisan basis. Council members serve four-year staggered terms, with three Council members elected every two years. The Mayor is elected to serve a four-year term.

The City of Tualatin provides a full range of services, including police protection; community planning and building inspection, engineering and economic development; the construction and maintenance of highways, streets and other infrastructure, community library services, recreational activities and cultural events.

December 15, 2006

Page 3 of 5

The annual budget serves as the foundation for the City of Tualatin's financial planning and control. All department heads of the City of Tualatin are required to submit requests for appropriation to the City Manager (who acts as the City Budget Officer). These requests are the starting point for developing a proposed budget. After the Budget Officer prepares the proposed budget, notice of the first budget committee meeting is published. The budget committee (consisting of the City Council, and equal number of appointed members) reviews and approves the budget after which notice of the public hearing for the City Council to adopt the budget is published. The budget must be adopted making appropriations for the ensuing fiscal year (July 1 to June 30) by June 30th (of the previous year). Transfer of appropriations between departments requires the special approval of the City Council.

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General fund and Park Development fund this comparison is presented as part of the basic financial statements for the governmental funds. For governmental funds with appropriated annual budgets (other than the General fund and Park Development fund), this comparison is presented as other supplementary information.

Factors Affecting Financial Condition

Factors which may be important in affecting financial conditions in the future for the City include the following:

The City has had vigorous high quality development for several years which has raised assessed value and provided a growing tax base for general operations. With the City's low permanent tax rate for operations, any future drop in new development may make it necessary to find new revenue sources to maintain and increase services. This is particularly important, given the state's limitation on annual increases in assessed value to 3%, unless the property is substantially improved, rezoned, subdivided, or annexed.

Tualatin's location in the Portland metropolitan is very much affected by the transportation issues associated with the urban area. One important project which may have a great effect on the City's economy both directly and indirectly is the I-5 (the major north-south highway in the State) to 99W Connector project. Regional and local transportation plans have recognized the need for this transportation improvement for more than a decade.

Traffic demands in the southwestern portion of the greater Portland area have grown substantially, leading to increasingly congested conditions. Increased traffic comes from more people living and working in Tigard, Tualatin, Sherwood and Wilsonville, and moving freight into and out of the area. Growth throughout the region has statewide significance, further confirming its importance.

The Oregon Constitution reserves to the people of the State the right to initiate the power to amend the State Constitution or place measures on the statewide general election ballot. Once an initiative measure has gathered a sufficient number of signatures and qualifies for placement on the ballot, the State is required to prepare a formal estimate of the measure's financial impact. Such initiatives are sometimes declared unconstitutional, however they have potential for major economic impact for cities and counties in Oregon.

Cash Management Policies and Practices

During the year, cash not required for current operations is invested in the Local Government Investment Pool and in investments outside the pool (as limited by Oregon law) such as U.S. Treasury securities, Federal Agency securities, high-grade commercial paper, and Bankers' Acceptances.

The City's criteria used to select investments are safety, liquidity, and return on investment. The State Pool provides liquidity, however, the City also invests funds outside the Pool. Pension trust funds and deferred compensation funds are invested by the agents with whom they are deposited and are not included in the City's investment activity.

Risk Management

The City participates in a worker's compensation self insurance pool along with more than 250 other cities and counties in Oregon. The pool is administered by the City/County Insurance Services Trust (CCIS). The City has a comprehensive safety training policy that emphasizes risk control. Tualatin also participates in a property/liability pool administered by CCIS. Approximately eighty percent of Oregon cities and one half of Oregon counties are served by CCIS in this capacity.

Pension and Other Post-employment Benefits

The City provides a retirement plan for each permanent employee group including police personnel, management and the municipal employee's bargaining unit group. The Oregon Public Employees Retirement System (OPERS) is an agent multiple-employer defined benefit plan. OPERS is the primary agent for the City's employees' pension plan. Prior to the year 2000, most non-management, non-police personnel were part of another pension plan, but were at that time given the opportunity to join the OPERS Plan. The City paid for the conversion as determined by the OPERS actuary and substantially all employees transferred to this plan.

Awards and Acknowledgements

The Government Finance Officers Association awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Tualatin for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2005. This was the 14th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both the GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

We would like to express our appreciation to members of other departments who assisted with contributions of information to be included in this report. Credit must also be given to the City Mayor, the City Council for their unfailing support for maintaining the highest standards of professionalism in management of the City of Tualatin's and the Tualatin Development Commission's finances.

The preparation of this report would not have been possible without the dedicated hard work of the Finance Department Staff. A special note of appreciation is given to our auditors, Tom Glogau, Charles Swank, and Greg Ficek.

Respectfully submitted,



Sherilyn Lombos
City Manager



Nancy Gritta
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Tualatin
Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

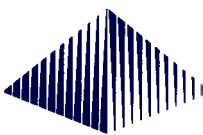


President

Executive Director

FINANCIAL SECTION

This page intentionally left blank.



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Council Members
City of Tualatin
18880 SW Martinazzi Avenue
Tualatin, Oregon 97062-0369

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Tualatin, Oregon as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tualatin, Oregon as of June 30, 2006 and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and major special revenue fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the required supplementary information are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures that consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

www.gmscpa.com

Mailing Address • P.O. Box 2122 • Salem, Oregon 97308-2122


Salem • 475 Cottage Street NE, Suite 200 • Salem, Oregon 97301-3814 • (503) 581-7788 • FAX (503) 581-0152
Albany • P.O. Box 663 • 519 S. Lyon Street • Albany, Oregon 97321-0570 • (541) 967-2315 • FAX (541) 926-5926

MEMBERS OF THE McGLADREY NETWORK • WORLDWIDE SERVICES THROUGH RSM INTERNATIONAL

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The other supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Tualatin, Oregon. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

The data presented in the accompanying statistical and introductory sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on such data.

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 

Charles A. Swank, A Shareholder
October 19, 2006

Management's Discussion And Analysis

As management of the City of Tualatin and the Tualatin Development Commission, we include this narrative presenting an overview and analysis of the financial activities of the City of Tualatin and Tualatin Development Commission for the fiscal year ended June 30, 2006.

We request readers to consider this information with the letter of transmittal in the Introductory Section following the Table of Contents.

Financial Highlights

*The assets of the City of Tualatin exceeded its liabilities at the close of the most recent fiscal year by \$165,422,931. Of this amount \$11,853,495 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

*The government's total net assets increased \$9,638,464. This increase represents the sum of an increase in governmental activities of \$8,236,246 and business-type activities of \$1,402,218.

*As of the close of fiscal year, the City of Tualatin's governmental funds reported combined ending fund balances of \$35,459,871. More than 99% of this total, \$35,366,973 is available for spending at the government's discretion (unreserved fund balance).

*At the end of the 2006 fiscal year, unreserved fund balance for the General Fund was \$5,125,815 or 51% of the total General Fund expenditures.

*The City of Tualatin's total debt, including bonds, leases, loans, and compensated absences increased \$5,795,334 during the year. The primary factor in this increase was the issuing of \$7,305,000 of Water Revenue Bonds to construct a five million gallon water reservoir and other improvements to the water system infrastructure.

Overview of Financial Statements

These financial statements comprise three components: 1) fund financial statements, 2) government-wide financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Each of these components serves an important purpose in providing information about the financial position and financial activities of the City of Tualatin and the Tualatin Development Commission.

Government-wide financial Statements

The *government-wide financial statements* provide a broad overview of the City's finances, operations and general health as a whole. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

Fund financial statements report short-term accountability focusing on the use of spendable resources and the balances of spendable resources at year-end. These statements cannot be used as a barometer to measure the performance of the government as a whole. The *government-wide financial statements* were designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The first of these government-wide statements is the *Statement of Net Assets*. This statement presents information on all of the City of Tualatin's assets and liabilities, with the difference between the two reported as *net assets*. In other words, this statement compares what the government *owns* to what it *owes* and, although there are differences and qualifiers, it is a loose parallel to what average citizens understand as "owners equity" or "net worth."

Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the city 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.

Net assets is comparable to owner's equity in for-profit businesses and this measure was developed to fill the void which existed before new accounting standards to measure the long-term viability of governmental units. Evaluation of the overall health of the City would extend to other non-financial factors such as the conditions of City infrastructure, in addition to the other financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the changes occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned, but unused, vacation leave).

The obvious advantage to such an approach is to nurture a long-term prospective by emphasizing the effects of yearly budget decisions on long-term goals. Such a perspective enforces the need to use sound financial policies such as maintaining adequate reserves and paying current costs from current revenues.

The government-wide financial statements distinguish functions of the City of Tualatin that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

Governmental activities at the City of Tualatin include general government, public safety, highways and streets, economic development, and culture and recreation.

The business-type activities include maintenance of water and sewer systems including pipes and lift stations. Water is purchased from the City of Portland. Clean Water services and the City of Lake Oswego provide sewer treatment services; therefore, the City does not maintain treatment plants.

The government-wide financial statements include not only the city of Tualatin itself (*the primary government*), but also the Urban Renewal Agency of the City, the Tualatin Development Commission. The Agency is a blended component unit and, in substance is part of the City's operations, although it is a legally separate entity. Separate financial statements of the Agency can be obtained from the Finance Department of the city at 18880 S. W. Martinazzi Avenue, Tualatin, Oregon, 97062.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated from specific activities or objectives. Fund financial statements focus on the most significant funds rather than the City as a whole. The use of fund financial statements is directly related to the budgeting process because some revenues are legally earmarked for certain kinds of expenditures. Fund financial statements ensure and demonstrate compliance with governmental finance-related laws and regulations.

In addition, the total amount of 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. The City of Tualatin's funds can be divided into two primary categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows*. Such information may be useful in evaluating a government's near-term financial requirements (current liabilities).

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 provides a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Tualatin maintains twenty-one individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for those considered to be major funds. Data from the remaining governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the forms of *combining statements* elsewhere in the report.

Proprietary funds. The City of Tualatin maintains six proprietary funds - these fund are enterprise funds used to report the same functions presented in business type activities in the government-wide financial statements. Proprietary funds has been reported with accounting procedures similar to for-profit companies in the past, even before new accounting standards were adopted. Whereas, infrastructure accounting is relatively new for governmental funds, Tualatin, like other cities, always maintained detailed records of the sewer and water systems, including the computation of related depreciation for the systems.

These proprietary funds include Water Fund, Water SDC Fund, Water Bond Fund, Water Reservoir Project Fund, Sewer Fund and Sewer SDC Fund.

Notes to the Financial Statements

The Notes to 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 City 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 City's financial operations.

Government-wide Financial Analysis

In 2005-06 the City of Tualatin's assets exceeded its liabilities by \$165,422,931. Of this amount 70 percent of the City's net assets \$121,771,920 were invested in capital assets, land, buildings, machinery and equipment, less the outstanding related debt used to acquire these assets. These assets are not a source for repaying liabilities now, or in the future, since such assets represent the "business of the City". Other resources must be used to pay for outstanding liabilities, some of which are restricted to only certain uses. This requires the City to not only acquire those capital assets necessary to provide for City services, but to retain the ability to finance these acquisitions and provide maintenance for these assets.

An additional portion of net assets, \$31,797,516 are restricted as to how they may be used by budgetary, legal and other external factors. The unrestricted amount of \$11,853,495 (7% of net assets) can be used to meet on-going obligations. Of the total \$25,714,572 of liabilities at year-end for governmental and business-type activities, \$17,857,026 are due in more than one year. For the government as a whole, and for the separate governmental and business-type activities, all three categories showed a positive net asset balance for fiscal year 2005-06 as it did for 2004-05.

The *Statement of Net Assets* and the pie chart of Revenues by Source highlight some of the most important factors about the governmental funds, particularly General Fund. The Primary revenues for governmental funds are taxes, fees and licenses, and intergovernmental revenues. The two largest sources of revenues for the City of Tualatin's General Fund are property taxes and franchise fees. The City's financial position was bettered by \$9,638,464 in the current year.

The State of Oregon does not have a sales tax and there has been a long history of State citizens opposing one. This puts great stress on property taxes, franchise fees, and other revenue in the governmental sector. Property taxes are limited in several ways by State law.

*Local governments' total share of property taxes cannot exceed \$10 per thousand of taxable assessed value; for school districts, the limit is \$5 per thousand.

*In 1999 taxpayers voted for a measure which limited assessed value increases from one year to the next to the lower of a 3% increase or the market value unless additional improvements or modifications have been made to a property.

*At the time of property tax reform, each local government was assigned a permanent tax rate. The City's rate is \$2.265 per \$1,000 assessed value. This rate cannot be changed without a vote passed by a "double majority" (more than half of the registered voters vote and more than half of the voters approve the measure).

The City's permanent tax rate is relatively low in contrast to comparable cities in the State and has been able to maintain services by budgeting conservatively and by attracting development to raise assessed value. The charts showing governmental expenses versus governmental activities demonstrate the funding challenges that Tualatin and other cities face.

Some of the important factors, which make allocation of resources difficult include:

1. Governmental resources are restricted in many ways-budgetary, legal, and by public opinion.
2. Programs funded by general resources typically result in hard choices, such as more police or a better library. Those services which are seen as most important and necessary are almost always least able or likely to assess charges for cost recovery even for direct services.
3. Public support and opinion is important to serving citizens. Yet, it is very difficult to average citizens to understand the impact or even the cost of their decisions. The true cost of certain services is hard to measure and the relative cost between two services is harder still. Public safety is usually a high priority for citizens. One policeman's salary for a year may not seem to be much. However, each sworn officer requires extensive, on-going mandatory training, uniforms and expensive safety equipment in addition to support staff, insurance and high fringe benefits. It is very difficult to weigh such costs against other competing costs such as a building or a skate park or providing after school programs which might keep teenagers occupied and out of trouble after school.

The City of Tualatin is hindered and helped by being a relatively affluent suburb of a large metropolitan area. The City has been successful in attracting high-end development with a balance of residential, retail and light manufacturing. This balanced growth has partially served as a buffer to the low tax rate. Tualatin's construction of a 100,000 square foot high-end retail space (Bridgeport Village, adjacent to I-5, the State's primary north-south freeway) with shops and restaurants has attracted other retail development. Construction on these retail centers, the Point at Bridgeport and Bridgeport Commons, had begun by the end of fiscal year 2005-06.

However, as build-out of the City occurs, it is likely to become more difficult to handle the inevitable rise in the cost of services. Regional transportation issues and the high development in the southwestern part of Washington County will continue to present challenges to the high quality of life that the citizens of Tualatin have experienced in the past.

CITY OF TUALATIN'S NET ASSETS June 30, 2006 and 2005

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 40,401,384	\$ 42,316,101	\$ 12,354,840	\$ 7,844,374	\$ 52,756,224	\$ 50,160,475
Capital assets	95,133,469	85,007,457	43,247,810	37,851,884	138,381,279	122,859,341
Total assets	135,534,853	127,323,558	55,602,650	45,696,258	191,137,503	173,019,816
Long-term liabilities	12,392,646	13,962,984	7,305,000	-	19,697,646	13,962,984
Other liabilities	4,572,831	3,027,444	1,444,095	569,301	6,016,926	3,596,745
Total liabilities	16,965,477	16,990,428	8,749,095	569,301	25,714,572	17,559,729
Net assets:						
Invested in capital assets, net of related debt	83,109,505	71,044,473	38,662,415	37,851,884	121,771,920	108,896,357
Restricted	27,135,766	31,784,105	4,661,750	4,385,063	31,797,516	36,169,168
Unrestricted	8,324,105	7,504,552	3,529,390	2,890,010	11,853,495	10,394,562
Total net assets	<u>\$ 118,569,376</u>	<u>\$ 110,333,130</u>	<u>\$ 46,853,555</u>	<u>\$ 45,126,957</u>	<u>\$ 165,422,931</u>	<u>\$ 155,460,087</u>

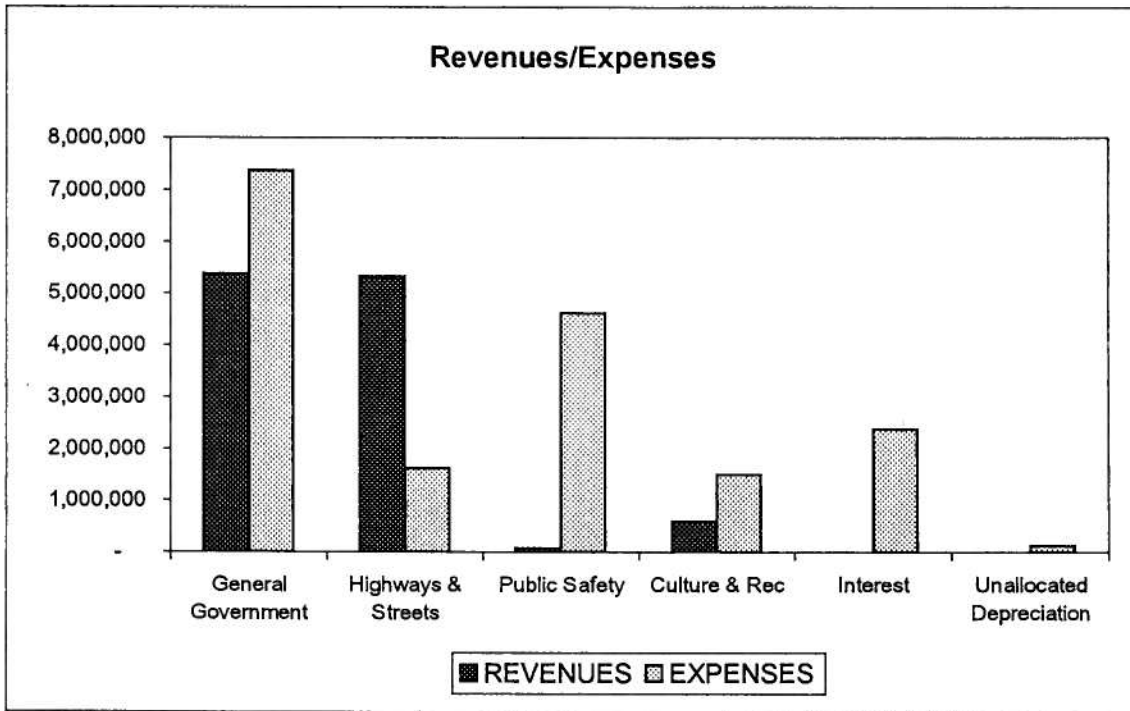
CITY OF TUALATIN'S CHANGES IN NET ASSETS

Years Ended June 30, 2006 and 2005

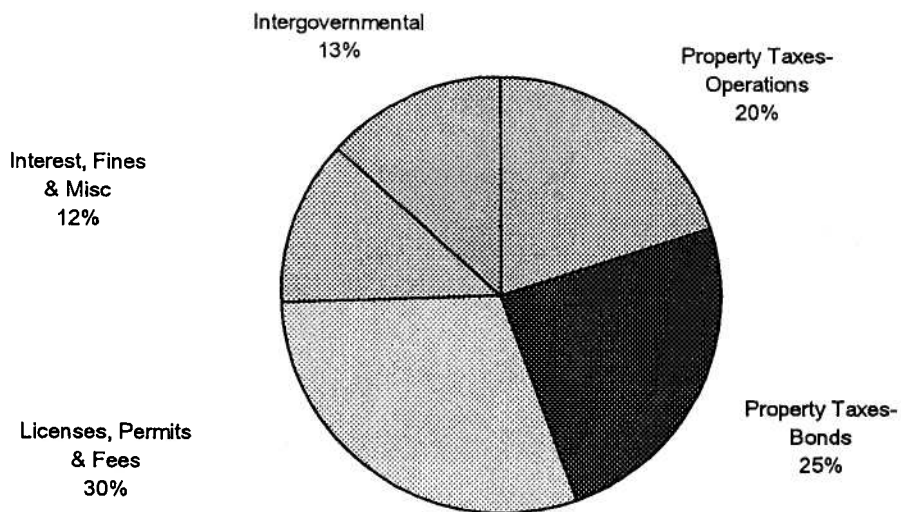
	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$ 8,906,643	\$ 5,980,446	\$ 9,043,331	\$ 8,370,543	\$ 17,949,974	\$ 14,350,989
Operating grants and contributions	89,616	67,857	-	-	89,616	67,857
Capital grants and contributions	2,374,411	1,948,857	1,844,442	3,758,798	4,218,853	5,707,655
General revenues:						
Property taxes	10,812,528	10,078,180	-	-	10,812,528	10,078,180
Other taxes	2,014,126	1,828,503	-	-	2,014,126	1,828,503
Grants and contributions not restricted to specific programs	72,116	7,100	-	-	72,116	7,100
Investment earnings	1,485,520	871,461	361,929	159,170	1,847,449	1,030,631
Total revenues	25,754,960	20,782,404	11,249,702	12,288,511	37,004,662	33,070,915
Expenses:						
General government	7,372,433	6,633,054	-	-	7,372,433	6,633,054
Public safety	4,614,719	4,255,099	-	-	4,614,719	4,255,099
Highways & streets	1,622,815	1,979,000	-	-	1,622,815	1,979,000
Unallocated depreciation	123,973	126,432	-	-	123,973	126,432
Culture & recreation	1,502,076	1,322,674	-	-	1,502,076	1,322,674
Interest on long-term debt	2,382,698	422,180	-	-	2,382,698	422,180
Water	-	-	4,386,891	4,233,678	4,386,891	4,233,678
Sewer	-	-	5,360,593	5,493,671	5,360,593	5,493,671
Total expenses	17,618,714	14,738,439	9,747,484	9,727,349	27,366,198	24,465,788
Increase in net assets before transfers	8,136,246	6,043,965	1,502,218	2,561,162	9,638,464	8,605,127
Transfers	100,000	1,200,000	(100,000)	(1,200,000)	-	-
Increase in net assets	8,236,246	7,243,965	1,402,218	1,361,162	9,638,464	8,605,127
Beginning net assets	110,333,130	103,089,165	45,451,337	43,765,795	155,784,467	146,854,960
Ending net assets	<u>\$ 118,569,376</u>	<u>\$ 110,333,130</u>	<u>\$ 46,853,555</u>	<u>\$ 45,126,957</u>	<u>\$ 165,422,931</u>	<u>\$ 155,460,087</u>

This includes an adjustment to the beginning balance for Water (\$260,924) and Sewer (\$63,460) to reconcile a difference in the statement of net assets (balance sheet) and the statement of activities (revenues and expenses). The amount is immaterial and occurred a number of years ago and had not been corrected.

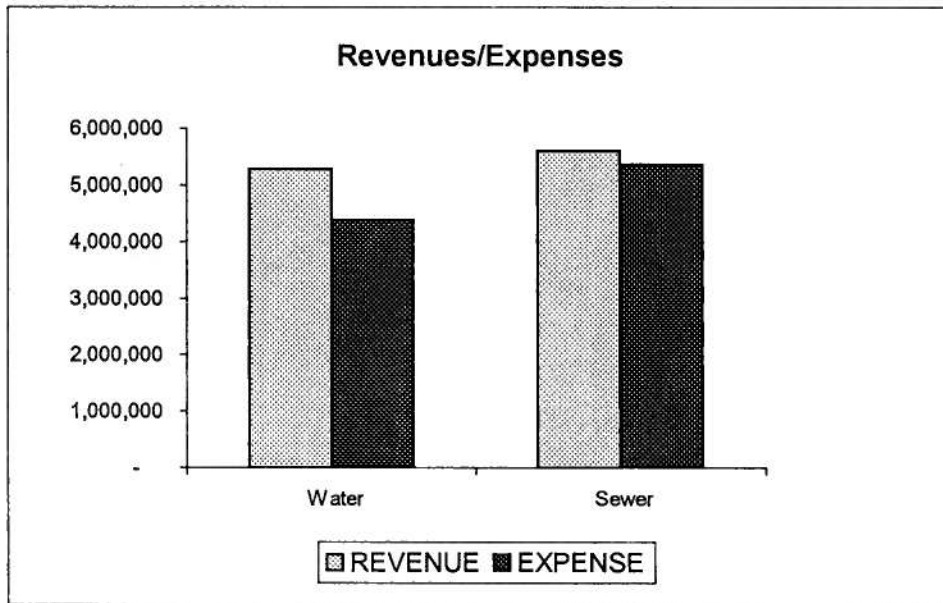
Expenses and Program Revenues - Governmental Activities



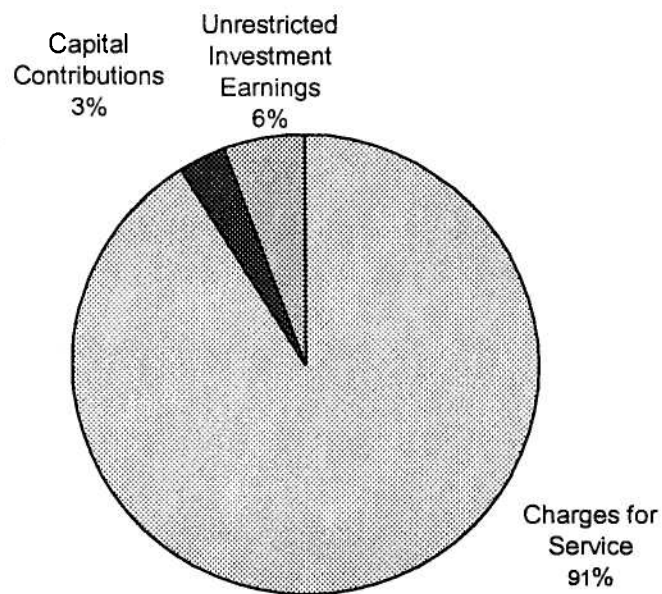
Revenues by Source - Governmental Activities



Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of Business-Type Funds

Business activities in 2005-2006 increased net assets by \$1,402,218. This is primarily due to the increased charges in the Water Fund.

A plant maintained by Clean Water Services, a special district, serves the majority of sewer customers in the City of Tualatin. The remaining Tualatin sewer customers are serviced by the City of Lake Oswego's plant. Tualatin maintains pipes and lift stations within the City. Whereas Clean Water Services is instrumental in the rate setting for sewer services and the City of Tualatin has relatively young infrastructure this allows for some building of reserves. These reserves will be badly needed as the City's system ages.

Capital Assets Reporting and Activity During the Year

The City of Tualatin's investments in capital improvements increased by \$15,521,939 in fiscal year 2005-06. This investment in capital assets included land, construction progress, buildings, other improvements, machinery and equipment, and infrastructure. Within the governmental category, infrastructure consists primarily of roads, signals, lighting, and signaling. Within the business-type activities capital assets include water and sewer lines, lift stations, and other portions of utility systems. Whereas may involve capital assets in governmental and business-type activities.

Major capital events during the current fiscal year included the following:

The City expended \$4,658,525 completing more than half of the funds budgeted for an expansion to the City's water system including construction of a five million gallon water reservoir and the retrofitting of four existing water reservoirs and three pump stations to meet current seismic loading standards. A revenue bond in the amount of \$7,305,000 was issued to fund these improvements that will help assure adequate quantity and quality of the City's future water supply.

City Center improvements were made to Boones Ferry Road, a major street in the center of the City. Underground utilities have been upgraded, the roadway widened, and sidewalk pedestrian amenities added. Preparation continued for a light rail commuter train station to be constructed immediately adjacent to this street and will include a shelter, benches, bike facilities and public art. As part of the Washington County Commuter Rail Line, this line will connect to the Tri-Met Max light rail into Portland, Oregon, and extend south to the City of Wilsonville. By year-end, \$4,456,657 had been expended for this City Center location.

The City partnered with the Tualatin Historical Society and a local developer to move two historical buildings to new areas. These buildings were in the path of destruction because of the widening of a downtown Street. The relocating and refurbishing the buildings retains part of the City's heritage while giving new life to the structures.

The City continues to add and improve infrastructure as a prerequisite to new development, particularly in the downtown area and Bridgeport Road area, where significant retail space is being developed. Some of this is funded by the City and some comes via contributed capital.

**City of Tualatin's Net Capital Assets
June 30, 2006 and 2005**

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 10,650,275	\$ 8,249,467	\$ 861,054	\$ 861,054	\$ 11,511,329	\$ 9,110,521
Construction in Progress	1,793,929	13,399,571	11,759,096	1,433,071	13,553,025	14,832,642
Buildings	7,406,282	6,904,629	367,755	367,755	7,774,037	7,272,384
Other Improvements	22,153,115	16,298,901	-	-	22,153,115	16,298,901
Machinery and Equipment	2,646,891	2,485,615	903,141	903,141	3,550,032	3,388,756
Infrastructure	85,575,328	70,062,105	44,596,272	48,476,723	130,171,600	118,538,828
Accum Depreciation	<u>(35,092,351)</u>	<u>(32,392,831)</u>	<u>(15,239,508)</u>	<u>(14,189,860)</u>	<u>(50,331,859)</u>	<u>(46,582,691)</u>
Total	<u>\$ 95,133,469</u>	<u>\$ 85,007,457</u>	<u>\$ 43,247,810</u>	<u>\$ 37,851,884</u>	<u>\$ 138,381,279</u>	<u>\$ 122,859,341</u>

Additional information concerning capital assets is available in the Notes to the Financial Statements. Note A provides a discussion of City policies regarding capital assets and Note H shows a schedule of the year's activity for governmental funds and business-type funds.

Financial Analysis of Governmental Funds

The City of Tualatin uses fund accounting to ensure and demonstrate compliance with legal requirements.

Governmental funds provide information about near-term inflows, outflows, and balances of spendable resources, which are consistent with the way the City budgets the individual funds. Such information is useful in assessing the City of Tualatin's financing requirements. Especially, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Net assets for the City's governmental funds increased from \$110,333,130 in 2005 to \$118,569,376, in 2006.

Total revenues increased from \$20,782,404 to \$25,754,960 before transfers. Expenses increased from \$14,738,439 to \$17,618,714, modest increase considering inflation and changes in programs. The increase in revenues was due in part from the increase in property taxes based on increased assessed value and charges for services.

Expenditures for general government and reserve funds are less than budgeted. In the General fund, it is the policy of the City to budget at least 15% of the total amount budgeted for personal services, materials and services and capital in contingency. Transfers from contingency never exhaust the sum and with additional amounts put in reserves it is expected that the fully budgeted amounts will not be expended. Other governmental funds routinely budget reserves which are not expected to be expended. For instance, the Building Division of the Engineering Fund, because expenditures are cyclical have in reserves six months of operational costs to carry the fund for short term downturns in revenues.

Oregon cities continue to be confronted with legal actions to amend laws requiring payment of utilities to the cities where they do business. This is particularly true for telephone companies who argue that wireless phones have reduced their revenue and that the use of right-of-ways is no longer a factor as it is with traditional phones. This is particularly difficult for the General Fund because franchise fees are the second highest percentage of revenue to that fund.

General Fund Budgetary Highlights

The General Fund is the chief operating fund of the City of Tualatin. At the end of the current year, unreserved fund balance was \$5,125,815. All of these funds were available for short-term expenditures. As a matter of course, the City strives to have enough reserves at the end of the fiscal year to provide cash for the first five months of operations at which time the first installment of property taxes are received. The fund balance increased from a beginning fund balance of \$4,497,525. As operating costs rise, the city expects to begin with a higher beginning balance.

There were no significant changes in the General Fund budget between the original adopted budget and the final budget.

Discussion of Significant Changes in Individual Fund Balances

The following significant changes in fund balances occurred in 2005-06. Marked changes requiring additional information are as follows:

During 2005-06 projects totaling more than \$3,000,000 were completed into the Library/Parks Improvement Fund including the completion of a bicycle and pedestrian bridge over the Tualatin River connecting the pathway in Community Park. The bridge connects the cities of Tualatin, Tigard, and Durham. Another project was the purchase of additional land for trail construction and the completion of the Tualatin River Greenway Master Plan. These projects are part of an on-going effort to make Tualatin a pedestrian and bicycle friendly city that provides outdoor activities for adults and children. These projects were funded partially by bond proceeds, as well as outside funding in the case of the pedestrian bridge.

The Central Urban Renewal District Projects Fund balance decreased from \$8,103,077 to \$5,933,793 during the year. This is the result of major capital expenditures for infrastructure, street widening, and pedestrian improvements in the downtown area. These expenditures are related to preparation for a commuter rail station, which will pass through the city center and connect to the mass transit station in Beaverton, which connects to Portland.

Debt Administration

**City of Tualatin's Debt Service
Years Ended June 30, 2006 and 2005**

	<u>Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u>
General Obligation Bonds	\$ 7,665,000	\$ -	\$ (285,000)	\$ 7,380,000
Urban Renewal Bonds	5,440,000		(1,190,000)	4,250,000
Water Revenue Bonds	-	7,305,000	-	7,305,000
*Limited Tax Bonds	<u>780,000</u>	<u>-</u>	<u>(80,000)</u>	<u>700,000</u>
Total Bonds Payable	<u>\$ 13,885,000</u>	<u>\$ 7,305,000</u>	<u>\$(1,555,000)</u>	<u>\$ 19,635,000</u>

The limited tax bond does not require a payment on principal until the final year of the bond, however, the City has been paying principal most years.

In 2004-05, the City of Tualatin sold \$3,785,000 of General Obligation Bonds for the City park system improvements. Voters had approved the issue of \$8,010,000 to finance general obligation bonds for library and parks improvements. On a companion measure a local option levy representing an increase of \$0.165/1,000 assessed value for five years was also submitted on the ballot on November 2, 2004. It was stated with the measure summary for approval of the \$8,050,000 bonds that the library improvement portion would not be sold unless a new funding mechanism for the library was approved (the local option levy). Voters approved the \$8,010,000 of the bond authority without approving the local option levy.

At the end of fiscal year 2005-06, it was determined that although no local option levy was passed, increased General Fund revenues would enable funding of an expanded library in lieu of a separate levy. At year end, the City was planning to sell the library portion of the bonding authority.

During 2005-06 the City sold Water Revenue Bonds in the amount of \$7,305,000 the proceeds will be used to finance improvements to and expansion of the Water System.

Economic Factors and Next Year's Budget

Factors affecting financial conditions in the future include:

*The City has had vigorous high quality development for several years which has raised assessed value and provided a growing tax base for general operations. With the City's low permanent tax rate for operations, any future drop in new development may make it necessary to find new revenue sources to maintain and increase services, particularly given the state's limitation on annual increases in assessed value to 3% unless the property is substantially improved, rezoned, subdivided, annexed, etc. Future projections indicate the City will most likely not duplicate the growth levels of recent years. Given the City's low permanent tax rate of \$2.265 per thousand assessed value, this is likely to require adjustments particularly for General Fund in the future to maintain the same levels of service. These sources might include on the revenue side--increases in fees for services, operating levies and increases in franchise fees.

*Tualatin's location in the Portland metropolitan area is very much affected by the transportation issues associated with urban areas. One important project which may have a great effect on Tualatin's economy, both directly and indirectly, is the I-5 (the major north-south highway in the State) to 99W Connector Project. Regional and local transportation plans have recognized the need for this transportation improvement for more than a decade.

*The Oregon constitution reserves to the people of the State the right to initiate the power to amend the State Constitution or place measures on the statewide general election ballot. Once an initiative measure has gathered a sufficient number of signatures and qualified for placement on the ballot, the State is required to prepare a formal estimate of the measure's financial impact. Such initiatives are sometimes declared unconstitutional, however, they have potential for major economic impact for cities and counties in Oregon.

This financial report is designed to provide a general overview of the City of Tualatin's financial activities and position.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Tualatin, 18880 S.W. Martinazzi Avenue, Tualatin, Oregon, 97062-7092.

BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

CITY OF TUALATIN
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash & investments	\$ 38,948,113	\$ 6,737,102	\$ 45,685,215
Accounts receivable	186,367	860,378	1,046,745
Property taxes receivable	366,963	-	366,963
Assessments receivable	610,819	-	610,819
Interest receivable	773	-	773
Due from other governments	129,140	-	129,140
Inventory	98,421	24,796	123,217
Prepaid	694	-	694
Restricted cash and investments	60,094	4,732,564	4,792,658
Land	10,650,275	861,054	11,511,329
Buildings	7,406,282	367,755	7,774,037
Improvements other than buildings	22,153,115	-	22,153,115
Machinery and equipment	2,646,891	903,141	3,550,032
Utility system	-	44,596,272	44,596,272
Infrastructure	85,575,328	-	85,575,328
Construction in progress	1,793,929	11,759,096	13,553,025
Accumulated depreciation	(35,092,351)	(15,239,508)	(50,331,859)
Total assets	135,534,853	55,602,650	191,137,503
LIABILITIES			
Accounts payable and payroll payable	1,310,368	1,178,581	2,488,949
Compensated absences	560,652	-	560,652
Due to other governments	1,865,349	-	1,865,349
Deposits	554,033	2,800	556,833
Matured interest on bonds payable	66,900	-	66,900
Retainage payable	215,529	205,162	420,691
Unearned revenue	-	23,970	23,970
Payable from restricted assets	-	33,582	33,582
Long-Term Liabilities:			
Due within one year	1,595,620	245,000	1,840,620
Due in more than one year	10,797,026	7,060,000	17,857,026
Total liabilities	16,965,477	8,749,095	25,714,572
NET ASSETS			
Invested in capital assets, net of related debt	83,109,505	38,662,415	121,771,920
Restricted for:			
Highways and streets	4,107,087	-	4,107,087
Urban redevelopment	270,934	-	270,934
Culture and recreation	692,385	-	692,385
Debt service	3,352,438	-	3,352,438
Capital projects	18,712,922	4,661,750	23,374,672
Unrestricted	8,324,105	3,529,390	11,853,495
Total net assets	\$ 118,569,376	\$ 46,853,555	\$ 165,422,931

See auditor's report and accompanying notes.

**CITY OF TUALATIN
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 8,684,836	\$ 5,290,160	\$ 79,986	\$ -
Highways and streets	2,131,876	2,955,457	-	2,374,411
Public safety	4,614,719	67,170	9,630	-
Culture and recreation	1,502,076	593,856	-	-
Interest	561,234	-	-	-
Unallocated depreciation	123,973	-	-	-
Total governmental activities	17,618,714	8,906,643	89,616	2,374,411
Business-type activities:				
Water	4,386,891	4,547,080	-	735,509
Sewer	5,360,593	4,496,251	-	1,108,933
Total business-type activities	9,747,484	9,043,331	-	1,844,442
Total	\$ 27,366,198	\$ 17,949,974	\$ 89,616	\$ 4,218,853

General revenues
 Property taxes levied for:
 General purposes
 Debt service
 Franchise tax
 Grants not restricted to specific programs
 Investment earnings

 Total general revenues

 Transfers

 Total general revenues and transfers
 Transfers

 Change in net assets

 Net assets, beginning of year

 Net assets, end of year

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
(3,314,690)	\$ -	\$ (3,314,690)
3,197,992	-	3,197,992
(4,537,919)	-	(4,537,919)
(908,220)	-	(908,220)
(561,234)	-	(561,234)
(123,973)	-	(123,973)
(6,248,044)	-	(6,248,044)
-	895,698	895,698
-	244,591	244,591
-	1,140,289	1,140,289
(6,248,044)	1,140,289	(5,107,755)
4,822,224	-	4,822,224
5,990,304	-	5,990,304
2,014,126	-	2,014,126
72,116	-	72,116
1,485,520	361,929	1,847,449
14,384,290	361,929	14,746,219
100,000	(100,000)	-
14,484,290	261,929	14,746,219
8,236,246	1,402,218	9,638,464
110,333,130	45,451,337	155,784,467
<u>\$ 118,569,376</u>	<u>\$ 46,853,555</u>	<u>\$ 165,422,931</u>

See auditor's report and accompanying notes.

This page intentionally left blank.

FUND FINANCIAL STATEMENTS MAJOR GOVERNMENTAL FUNDS

General Fund - accounts for the financial operations of the City that are not accounted for in any other fund. Principal sources of revenue are property taxes, franchise fees, and state and county shared revenue. Primary expenditures are for culture and recreation, general government and public safety.

Park Development Fund - accounts for funds received from system development charges used for park improvements.

Bancroft Bond Fund - accounts for the payment of principal and interest on Special Assessment Improvement Bonds. Resources are provided from the collections of assessments and the benefited property owners.

Central Urban Renewal District Bond Sinking Fund - accounts for resources received from property taxes within the Central Urban Renewal area for the payment of principal and interest on the Agency's tax increment bonds.

Leveton Tax Increment District Bond Sinking Fund - accounts for property taxes received within the Leveton Urban Renewal District, which are to be used for the payment of principal and interest on the Agency's tax increment debt.

Central Urban Renewal District Projects Fund - accounts for resources provided from the sale of tax increment bonds and interest earnings used for construction within the Urban Renewal Agency's boundary.

Leveton Tax Increment District Projects Fund - accounts 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.

Library/Parks Improvement Fund - accounts for expansion of the City's library and parks. The primary source of funds for the capital improvements is from the sale of bonds. Voters approved the issue of \$8,010,000 for both library and parks improvements. In 2005, \$3,785,000 of these bonds were sold for parks improvements. Library improvements will move forward when operating costs for a larger library are in place.

**CITY OF TUALATIN
GOVERNMENTAL FUNDS - BALANCE SHEET
JUNE 30, 2006**

	General Fund	Park Development Fund	Bancroft Bond Fund	Central Urban Renewal District Bond Sinking Bond Fund
ASSETS				
Cash and investments	\$ 5,746,500	\$ 2,154,290	\$ 302,764	\$ 680,689
Receivables				
Accounts	5,480	-	-	261
Property taxes	169,692	-	-	75,506
Assessments	-	-	610,819	-
Interest	697	-	-	-
Due from other governments	23,350	4,422	-	-
Due from other funds	640	-	-	-
Inventory	65,617	-	-	-
Prepays	694	-	-	-
Restricted cash	-	-	-	-
Total assets	\$ 6,012,670	\$ 2,158,712	\$ 913,583	\$ 756,456
LIABILITIES				
Accounts payable and payroll	\$ 609,040	\$ 131	\$ -	\$ 630
Due to other governments	428	1,862,435	-	-
Due to other funds	86	-	-	-
Deposits	62,399	-	-	-
Matured bond interest payable	-	-	1,900	65,000
Retainage payable	-	-	-	-
Deferred revenue	149,285	-	609,252	65,510
Total liabilities	821,238	1,862,566	611,152	131,140
FUND BALANCES				
Reserved for inventory	65,617	-	-	-
Reserved for scholarships	-	-	-	-
Unreserved, reported in				
General fund	5,125,815	-	-	-
Special revenue funds	-	296,146	-	-
Debt service funds	-	-	302,431	625,316
Capital projects funds	-	-	-	-
Total fund balances	5,191,432	296,146	302,431	625,316
Total liabilities and fund balances	\$ 6,012,670	\$ 2,158,712	\$ 913,583	\$ 756,456

Leveton Tax Increment District Bond Sinking Fund	Central Urban Renewal District Projects Fund	Leveton Tax Increment District Projects Fund	Library/Parks Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,451,022	\$ 5,986,961	\$ 9,171,480	\$ 593,612	\$ 12,920,889	\$ 38,948,113
321	-	-	-	180,305	186,367
109,243	-	-	-	12,522	366,963
-	-	-	-	-	610,819
-	-	-	-	76	773
-	-	-	-	101,368	129,140
-	189,500	-	-	86	190,226
-	-	-	-	32,804	98,421
-	-	-	-	-	694
-	-	-	-	-	60,094
<u>\$ 1,560,586</u>	<u>\$ 6,176,461</u>	<u>\$ 9,171,480</u>	<u>\$ 593,612</u>	<u>\$ 13,248,050</u>	<u>\$ 40,591,610</u>
\$ 630	\$ 127,235	\$ 10,041	\$ 167,334	\$ 395,327	\$ 1,310,368
-	-	-	-	2,486	1,865,349
-	93	-	-	190,047	190,226
-	-	-	-	491,634	554,033
-	-	-	-	-	66,900
-	115,340	-	30,039	70,150	215,529
95,842	-	-	-	9,445	929,334
<u>96,472</u>	<u>242,668</u>	<u>10,041</u>	<u>197,373</u>	<u>1,159,089</u>	<u>5,131,739</u>
-	-	-	-	32,804	98,421
-	-	-	-	60,094	60,094
-	-	-	-	-	5,125,815
-	-	-	-	7,347,891	7,644,037
1,464,114	-	-	-	900,483	3,292,344
-	5,933,793	9,161,439	396,239	3,747,689	19,239,160
<u>1,464,114</u>	<u>5,933,793</u>	<u>9,161,439</u>	<u>396,239</u>	<u>12,088,961</u>	<u>35,459,871</u>
<u>\$ 1,560,586</u>	<u>\$ 6,176,461</u>	<u>\$ 9,171,480</u>	<u>\$ 593,612</u>	<u>\$ 13,248,050</u>	

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

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

95,133,469

Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in the funds.

929,334

Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds

(560,652)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

(12,392,646)

Net assets of governmental activities

\$ 118,569,376

CITY OF TUALATIN

**GOVERNMENTAL FUNDS - STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2006**

	General Fund	Park Development Fund	Bancroft Bond Fund	Central Urban Renewal District Bond Sinking Bond Fund	Leveton Tax Increment District Bond Sinking Fund
REVENUES					
Taxes and assessments	\$ 4,854,942	\$ -	\$ 123,732	\$ 2,163,691	\$ 3,219,984
Licenses and permits	504,070	-	-	-	-
Intergovernmental	1,373,154	99,200	-	-	-
Fees	2,014,126	-	-	-	-
Fines	170,315	-	-	-	-
Charges for services	53,536	307,734	-	-	-
Interest	212,015	12,633	11,216	104,503	145,935
Miscellaneous	598,955	186,922	-	-	-
Total revenues	<u>9,781,113</u>	<u>606,489</u>	<u>134,948</u>	<u>2,268,194</u>	<u>3,365,919</u>
EXPENDITURES					
Current					
General government	4,067,418	1,324	300	5,265	7,600
Highway and streets	-	-	-	-	-
Public safety	4,427,287	-	-	-	-
Culture and recreation	1,220,536	-	-	-	-
Debt Service					
Principal	15,338	-	80,000	430,000	760,000
Interest	5,282	-	36,660	46,036	109,822
Capital outlay	399,896	748,157	-	-	-
Total expenditures	<u>10,135,757</u>	<u>749,481</u>	<u>116,960</u>	<u>481,301</u>	<u>877,422</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(354,644)</u>	<u>(142,992)</u>	<u>17,988</u>	<u>1,786,893</u>	<u>2,488,497</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	1,051,581	102,000	-	-	-
Transfers out	(3,030)	(14,260)	(8,305)	(1,821,000)	(2,988,483)
Total other financing sources and (uses)	<u>1,048,551</u>	<u>87,740</u>	<u>(8,305)</u>	<u>(1,821,000)</u>	<u>(2,988,483)</u>
Net change in fund balance	693,907	(55,252)	9,683	(34,107)	(499,986)
Fund balances, beginning of year	<u>4,497,525</u>	<u>351,398</u>	<u>292,748</u>	<u>659,423</u>	<u>1,964,100</u>
Fund balances, end of year	<u>\$ 5,191,432</u>	<u>\$ 296,146</u>	<u>\$ 302,431</u>	<u>\$ 625,316</u>	<u>\$ 1,464,114</u>

Central Urban Renewal District Projects Fund	Leveton Tax Increment District Projects Fund	Library/Parks Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 523,541	\$ 10,885,890
-	-	-	1,962,465	2,466,535
-	-	-	1,781,596	3,253,950
-	-	-	2,433,778	4,447,904
-	-	-	-	170,315
-	-	-	-	361,270
234,930	247,586	55,786	460,913	1,485,517
375,800	3,761	200	203,179	1,368,817
<u>610,730</u>	<u>251,347</u>	<u>55,986</u>	<u>7,365,472</u>	<u>24,440,198</u>
9,147	78	-	2,968,633	7,059,765
-	-	-	277,299	277,299
-	-	-	-	4,427,287
-	-	-	-	1,220,536
-	-	-	285,000	1,570,338
-	-	-	363,434	561,234
<u>4,456,657</u>	<u>816,504</u>	<u>3,038,947</u>	<u>3,365,371</u>	<u>12,825,532</u>
<u>4,465,804</u>	<u>816,582</u>	<u>3,038,947</u>	<u>7,259,737</u>	<u>27,941,991</u>
<u>(3,855,074)</u>	<u>(565,235)</u>	<u>(2,982,961)</u>	<u>105,735</u>	<u>(3,501,793)</u>
2,010,500	2,988,483	-	2,577,300	8,729,864
(324,710)	(213,200)	-	(3,256,876)	(8,629,864)
<u>1,685,790</u>	<u>2,775,283</u>	<u>-</u>	<u>(679,576)</u>	<u>100,000</u>
(2,169,284)	2,210,048	(2,982,961)	(573,841)	(3,401,793)
<u>8,103,077</u>	<u>6,951,391</u>	<u>3,379,200</u>	<u>12,662,802</u>	<u>38,861,664</u>
<u>\$ 5,933,793</u>	<u>\$ 9,161,439</u>	<u>\$ 396,239</u>	<u>\$ 12,088,961</u>	<u>\$ 35,459,871</u>

CITY OF TUALATIN

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006**

Amounts reported for governmental activities in the statement of activities (page 22) are different because:

Net change in fund balances - total governmental funds (page 29)	\$	(3,401,793)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation in current period.</p>		
Capital outlay		12,825,532
Depreciation		(2,699,520)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.</p>		
		2,361
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.</p>		
		1,570,338
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Change in compensated absences		(60,672)
		<hr/>
Change in net assets of governmental activities	\$	<u><u>8,236,246</u></u>

CITY OF TUALATIN
STATEMENT OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
GENERAL FUND

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Adjustments to GAAP Basis Actual	GAAP Basis Actual
	Original	Final				
REVENUES						
Property taxes	\$ 4,899,460	\$ 4,899,460	\$ 4,854,942	\$ (44,518)	\$ -	\$ 4,854,942
Licenses and permits	325,963	325,963	504,070	178,107	-	504,070
Intergovernmental	1,188,801	1,224,801	1,373,154	148,353	-	1,373,154
Franchise tax	1,840,975	1,840,975	2,014,126	173,151	-	2,014,126
Fines	199,311	199,311	170,315	(28,996)	-	170,315
Charges for services	68,345	68,345	53,536	(14,809)	-	53,536
Interest	112,050	112,050	212,015	99,965	-	212,015
Miscellaneous	78,185	78,185	250,427	172,242	-	250,427
Total revenues	<u>8,713,090</u>	<u>8,749,090</u>	<u>9,432,585</u>	<u>683,495</u>	<u>-</u>	<u>9,432,585</u>
EXPENDITURES						
Current						
General government	6,762,164	6,950,834	4,729,895	2,220,939	(509,066)	4,220,829
Public safety	4,762,518	4,804,812	4,427,287	377,525	-	4,427,287
Culture and recreation	1,247,756	1,270,196	1,220,536	49,660	-	1,220,536
Capital outlay	314,475	280,475	267,105	13,370	(20,620)	246,485
Debt service						
Principal	-	-	-	-	15,338	15,338
Interest	-	-	-	-	5,282	5,282
Reserve funds	1,353,250	1,353,250	-	1,353,250	-	-
Contingency	338,315	154,911	-	154,911	-	-
Total expenditures	<u>14,778,478</u>	<u>14,814,478</u>	<u>10,644,823</u>	<u>4,169,655</u>	<u>(509,066)</u>	<u>10,135,757</u>
Excess of revenues over (under) expenditures	<u>(6,065,388)</u>	<u>(6,065,388)</u>	<u>(1,212,238)</u>	<u>4,853,150</u>	<u>509,066</u>	<u>(703,172)</u>
OTHER FINANCING SOURCES (USES)						
Sale of land	350,000	350,000	348,528	(1,472)	-	348,528
Transfers in	1,560,647	1,560,647	1,560,647	-	(509,066)	1,051,581
Transfers out	(3,030)	(3,030)	(3,030)	-	-	(3,030)
Total other financing sources (uses)	<u>1,907,617</u>	<u>1,907,617</u>	<u>1,906,145</u>	<u>(1,472)</u>	<u>(509,066)</u>	<u>1,397,079</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(4,157,771)</u>	<u>(4,157,771)</u>	<u>693,907</u>	<u>4,851,678</u>	<u>-</u>	<u>693,907</u>
BEGINNING FUND BALANCE	<u>4,157,771</u>	<u>4,157,771</u>	<u>4,497,525</u>	<u>339,754</u>	<u>-</u>	<u>4,497,525</u>
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,191,432</u>	<u>\$ 5,191,432</u>	<u>\$ -</u>	<u>\$ 5,191,432</u>

See auditor's report and accompanying notes.

CITY OF TUALATIN
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
PARK DEVELOPMENT FUND

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 219,200	\$ 219,200	\$ 99,200	\$ (120,000)
System development fees	372,930	372,930	307,734	(65,196)
Interest	6,000	6,000	12,633	6,633
Miscellaneous	300,000	300,000	186,922	(113,078)
Total revenues	<u>898,130</u>	<u>898,130</u>	<u>606,489</u>	<u>(291,641)</u>
EXPENDITURES				
Materials and services	2,300	2,300	1,324	976
Capital outlay	1,303,750	1,471,347	748,157	723,190
Contingency	172,867	72,867	-	72,867
Total expenditures	<u>1,478,917</u>	<u>1,546,514</u>	<u>749,481</u>	<u>797,033</u>
Excess of revenues over (under) expenditures	<u>(580,787)</u>	<u>(648,384)</u>	<u>(142,992)</u>	<u>505,392</u>
OTHER FINANCING SOURCES (USES)				
Sale of land	200,000	200,000	-	200,000
Transfers in	102,000	169,597	102,000	67,597
Transfers out	(14,260)	(14,260)	(14,260)	-
Total other financing sources (uses)	<u>287,740</u>	<u>355,337</u>	<u>87,740</u>	<u>267,597</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(293,047)</u>	<u>(293,047)</u>	<u>(55,252)</u>	<u>237,795</u>
BEGINNING FUND BALANCE	<u>293,047</u>	<u>293,047</u>	<u>351,398</u>	<u>58,351</u>
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 296,146</u>	<u>\$ 296,146</u>

FUND FINANCIAL STATEMENTS PROPRIETARY FUNDS

The City has six enterprise funds which account for water and sewer operations.

Water Operations - accounts for the acquisition, construction, operation and maintenance of water facilities and services. The primary revenue sources are customer service fees and system development charges. (Included here are the Water Fund, Water SDC Fund, Water Bond Fund and Water Reservoir Project Fund.)

Sewer Operations - accounts for the acquisition, operating, construction and maintenance of sewer facilities and services. Resources are provided primarily through user charges to the general public and system development charges. (Included here are the Sewer Fund and Sewer SDC Fund.)

CITY OF TUALATIN
STATEMENT OF NET ASSETS
JUNE 30, 2006
PROPRIETARY FUNDS

	Water Fund	Water SDC	Water Bond Fund
ASSETS			
Current assets			
Cash and investments	\$ 1,326,729	\$ -	\$ 349,839
Accounts receivable	463,123	-	-
Inventory	24,055	-	-
Total current assets	<u>1,813,907</u>	<u>-</u>	<u>349,839</u>
Non-current assets			
Restricted			
Cash and investments	-	1,520,572	-
Total restricted assets	<u>-</u>	<u>1,520,572</u>	<u>-</u>
Capital assets:			
Land	767,922	-	-
Buildings	84,669	-	-
Machinery and equipment	619,927	-	-
Utility system	31,614,958	-	-
Construction in progress	2,251,603	-	-
Less accumulated depreciation	(9,222,089)	-	-
Total capital assets (net of accumulated depreciation)	<u>26,116,990</u>	<u>-</u>	<u>-</u>
Total non-current assets	<u>26,116,990</u>	<u>1,520,572</u>	<u>-</u>
Total assets	<u>27,930,897</u>	<u>1,520,572</u>	<u>349,839</u>
LIABILITIES			
Current liabilities			
Accounts payable	226,868	-	-
Retainage payable	-	-	-
Unearned revenue	23,970	-	-
	<u>250,838</u>	<u>-</u>	<u>-</u>
Current liabilities payable from restricted assets			
Account payable	-	33,582	-
Customer deposits	2,800	-	-
Total current liabilities	<u>253,638</u>	<u>33,582</u>	<u>-</u>
Long-term liabilities from restricted assets			
Due within one year	245,000	-	-
Due in more than one year	4,340,395	-	-
Total long-term liabilities	<u>4,585,395</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>4,839,033</u>	<u>33,582</u>	<u>-</u>
NET ASSETS			
Invested in capital assets, net of related debt	21,531,595	-	-
Restricted for capital project	-	1,486,990	-
Unrestricted	1,560,269	-	349,839
Total net assets	<u>\$ 23,091,864</u>	<u>\$ 1,486,990</u>	<u>\$ 349,839</u>

See auditor's report and accompanying notes.

Water Reservoir Fund	Sewer Fund	Sewer SDC	Total
\$ 3,424,647	\$ 1,635,887	\$ -	\$ 6,737,102
-	397,255	-	860,378
-	741	-	24,796
<u>3,424,647</u>	<u>2,033,883</u>	<u>-</u>	<u>7,622,276</u>
-	-	3,211,991	\$ 4,732,563
-	-	3,211,991	4,732,563
-	93,132	-	861,054
-	283,086	-	367,755
-	283,214	-	903,141
-	12,981,314	-	44,596,272
-	9,507,493	-	11,759,096
-	(6,017,419)	-	(15,239,508)
-	17,130,820	-	43,247,810
-	17,130,820	3,211,991	47,980,373
<u>3,424,647</u>	<u>19,164,703</u>	<u>3,211,991</u>	<u>55,602,649</u>
428,583	485,898	37,231	1,178,580
205,162	-	-	205,162
-	-	-	23,970
<u>633,745</u>	<u>485,898</u>	<u>37,231</u>	<u>1,407,712</u>
-	-	-	33,582
-	-	-	2,800
<u>633,745</u>	<u>485,898</u>	<u>37,231</u>	<u>1,444,094</u>
-	-	-	245,000
<u>2,719,605</u>	<u>-</u>	<u>-</u>	<u>7,060,000</u>
<u>2,719,605</u>	<u>-</u>	<u>-</u>	<u>7,305,000</u>
<u>3,353,350</u>	<u>485,898</u>	<u>37,231</u>	<u>8,749,094</u>
-	17,130,820	-	38,662,415
-	-	3,174,760	4,661,750
71,297	1,547,985	-	3,529,390
<u>\$ 71,297</u>	<u>\$ 18,678,805</u>	<u>\$ 3,174,760</u>	<u>\$ 46,853,555</u>

See auditor's report and accompanying notes.

CITY OF TUALATIN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
YEAR ENDED JUNE 30, 2006
PROPRIETARY FUNDS

	Water Fund	Water SDC	Water Bond Fund
OPERATING REVENUES			
Charges for sales and services			
Sales	\$ 3,607,912	\$ -	\$ -
Facilities and service charges	934,852	-	-
Other operating income	4,316	-	-
Total operating revenues	<u>4,547,080</u>	<u>-</u>	<u>-</u>
OPERATING EXPENSES			
Personnel, operations and engineering	1,454,412	10,550	-
Materials and services	2,167,913	-	225
Depreciation	588,300	-	-
Total operating expenses	<u>4,210,625</u>	<u>10,550</u>	<u>225</u>
Operating income (loss)	336,455	(10,550)	(225)
NON-OPERATING REVENUE (EXPENSES)			
Investment earnings	64,421	53,739	4,105
Investment expense	-	-	(169,496)
System development charges	-	513,022	-
Total non-operating expenses	<u>64,421</u>	<u>566,761</u>	<u>(165,391)</u>
Income before contributions and transfers	400,876	556,211	(165,616)
Capital contributions	222,487	-	-
Transfers in	5,102,689	100,000	515,455
Transfers out	(5,200,850)	(517,294)	-
Change in net assets	<u>525,202</u>	<u>138,917</u>	<u>349,839</u>
Total net assets - beginning	<u>22,566,662</u>	<u>1,348,073</u>	<u>-</u>
Total net assets - ending	<u>\$ 23,091,864</u>	<u>\$ 1,486,990</u>	<u>\$ 349,839</u>

See auditor's report and accompanying notes.

Water Reservoir Project Fund	Sewer Fund	Sewer SDC	Total
\$ -	\$ 4,261,719	\$ -	\$ 7,869,631
-	229,757	-	1,164,609
-	4,775	-	9,091
-	4,496,251	-	9,043,331
-	665,351	7,540	2,137,853
165,491	3,706,342	520,012	6,559,983
-	461,348	-	1,049,648
165,491	4,833,041	527,552	9,747,484
(165,491)	(336,790)	(527,552)	(704,153)
236,788	60,253	112,119	531,425
-	-	-	(169,496)
-	-	692,709	1,205,731
236,788	60,253	804,828	1,567,660
71,297	(276,537)	277,276	863,507
-	416,224	-	638,711
-	6,816	-	5,724,960
-	(100,000)	(6,816)	(5,824,960)
71,297	46,503	270,460	1,402,218
-	18,632,302	2,904,300	45,451,337
\$ 71,297	\$ 18,678,805	\$ 3,174,760	46,853,555

**CITY OF TUALATIN
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2006
PROPRIETARY FUNDS**

	Water Fund	Water SDC Fund	Water Bond Fund	Water Reservoir Project Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 4,725,234	\$ -	\$ -	\$ -
Payment to suppliers	(2,054,628)	(43,107)	(225)	468,254
Payment to employees	(1,454,412)	(10,550)	-	-
Net cash provided (used) by operating activities	<u>1,216,194</u>	<u>(53,657)</u>	<u>(225)</u>	<u>468,254</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES				
Transfers from other funds	5,102,689	100,000	515,455	-
Transfers to other funds	(5,200,850)	(517,294)	-	-
Net cash provided (used) by non-capital and related financing activities	<u>(98,161)</u>	<u>(417,294)</u>	<u>515,455</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest payments on notes, bonds and certificates	-	-	(169,496)	-
Proceeds from issuance of debt	4,585,395	-	-	2,719,605
Capital contributions	222,487	513,022	-	-
Acquisition and construction of capital assets	(5,838,316)	-	-	-
Net cash provided (used) by financing activities	<u>(1,030,434)</u>	<u>513,022</u>	<u>(169,496)</u>	<u>2,719,605</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest earned	64,421	53,739	4,105	236,788
Net cash provided (used) by investing activities	<u>64,421</u>	<u>53,739</u>	<u>4,105</u>	<u>236,788</u>
Net increase (decrease) in cash and investments	152,020	95,810	349,839	3,424,647
CASH AND INVESTMENTS				
Beginning of year	1,174,709	1,424,762	-	-
Ending of year	<u>\$ 1,326,729</u>	<u>\$ 1,520,572</u>	<u>\$ 349,839</u>	<u>\$ 3,424,647</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ 336,455	\$ (10,550)	\$ (225)	\$ (165,491)
Net cash from operating activities:				
Cash flows reported in other categories				
Depreciation expense	588,300	-	-	-
Change in assets and liabilities:				
Accounts receivable	(74,047)	-	-	-
Inventories	(993)	-	-	-
Accounts payable	375,200	(43,107)	-	633,745
Unearned revenue	379	-	-	-
Deferred revenue	(9,100)	-	-	-
Net cash provided (used) by operating activities	<u>\$ 1,216,194</u>	<u>\$ (53,657)</u>	<u>\$ (225)</u>	<u>\$ 468,254</u>
CASH AND INVESTMENTS ARE REPORTED ON THE STATEMENT OF NET ASSETS AS FOLLOWS:				
Cash and investments	\$ 1,326,729	\$ -	\$ 349,839	\$ 3,424,647
Restricted assets: cash and investments	-	1,520,572	-	-
Cash and investments, end of year	<u>\$ 1,326,729</u>	<u>\$ 1,520,572</u>	<u>\$ 349,839</u>	<u>\$ 3,424,647</u>

NON-CASH FINANCING ACTIVITIES

During the year, the Water and Sewer funds received \$638,711 in assets contributed from various developers. The Water Fund assumed debt of \$4,585,395 and the Water Reservoir Project Fund assumed debt of \$2,719,605 for the construction of a water reservoir and other improvements to water infrastructure.

See auditor's report and accompanying notes.

Sewer Fund	Sewer SDC Fund	Totals
\$ 4,534,204	\$ -	\$ 9,259,438
(3,508,754)	(538,781)	(5,677,241)
(665,351)	(7,540)	(2,137,853)
<u>360,099</u>	<u>(546,321)</u>	<u>1,444,344</u>
6,816	-	5,724,960
(100,000)	(6,816)	(5,824,960)
<u>(93,184)</u>	<u>(6,816)</u>	<u>(100,000)</u>
-	-	(169,496)
-	-	7,305,000
416,224	692,709	1,844,442
(607,258)	-	(6,445,574)
<u>(191,034)</u>	<u>692,709</u>	<u>2,534,372</u>
60,253	112,119	531,425
60,253	112,119	531,425
136,134	251,691	4,410,141
1,499,753	2,960,300	7,059,524
<u>\$ 1,635,887</u>	<u>\$ 3,211,991</u>	<u>\$ 11,469,665</u>
\$ (336,790)	\$ (527,552)	\$ (704,153)
461,348	-	1,049,648
(25,506)	(18,769)	(118,322)
223	-	(770)
260,824	-	1,226,662
-	-	379
-	-	(9,100)
<u>\$ 360,099</u>	<u>\$ (546,321)</u>	<u>\$ 1,444,344</u>
\$ 1,635,887	\$ -	\$ 6,737,102
-	3,211,991	4,732,563
<u>\$ 1,635,887</u>	<u>\$ 3,211,991</u>	<u>\$ 11,469,665</u>

See auditor's report and accompanying notes.

CITY OF TUALATIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Financial Report Entity

The City of Tualatin is a municipal corporation governed by an elected seven-member council.

These financial statements present the City of Tualatin and its component unit, the City of Tualatin Development Commission - The Urban Renewal Agency of the City (the Agency) for which the City is financially accountable. The Agency is reported as a blended component unit and, in substance, is part of the City's operations, although it is a legally separate entity. Separate financial statements of the Agency can be obtained from the Finance Department of the City, 18880 S.W. Martinazzi Avenue, Tualatin, Oregon 97062.

The agency is governed by the same governing body as the City of Tualatin. The Agency is reported in a special revenue fund, capital projects funds and debt service funds.

2. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the financial statements.

CITY OF TUALATIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Measurement focus, basis of accounting and financial statement presentations.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. 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 end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt services expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for by another fund.

The Park Development Fund accounts for capital park construction funded by system development charges.

The Bancroft Bond Fund accounts for the payment of principal and interest on Special Assessment Improvement Bonds. Resources are provided by the collection of assessments from the benefited property owners.

The Central Urban Renewal District Bond Sinking Fund accounts for resources received from property taxes within the Central Urban Renewal area for the payment of principal and interest on the Urban Renewal Agency's tax increment bonds.

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

CITY OF TUALATIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Central Urban Renewal District Projects Fund accounts for resources provided from the sale of tax increment bonds and interest earnings used for the acquisition and construction of capital assets within the Urban Renewal Agency's boundary.

The Leveton Tax Increment District Projects Fund accounts 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.

Library/Parks Improvement Fund - accounts for expansion of the City's library and parks. The primary source of funds for the capital improvements is from the sale of bonds. Voters approved the issue of \$8,010,000 for both library and parks improvements. In 2005, \$3,785,000 of these bonds were sold for parks improvements. Library improvements will move forward when operating costs for a larger library are in place.

The City reports the following major proprietary funds:

The Water Revenue Fund accounts for the operation and maintenance of water facilities and services. The primary revenue source is customer services fees.

The Water SDC Fund accounts for the acquisition and construction of water infrastructure and the fund's primary revenue source is system development charges.

The Sewer Operating Fund accounts for the operation and maintenance of sewer facilities and services. The primary revenue source is customer services fees.

The Sewer SDC Fund accounts for the acquisition and construction of sewer infrastructure and the fund's primary revenue source is system development charges.

The Water Bond Fund accounts for payments of principal and interest on water revenue debt.

The Water Reservoir Fund accounts for the construction of water storage facilities and seismic upgrades.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payment-in-lieu of taxes.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

CITY OF TUALATIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water enterprise fund and of the sewer enterprise fund are charges to customer for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administration expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

4. Cash and Investments

The City maintains a cash investment pool that is available for use by all funds. Interest earned on pooled investments is allocated to funds based on the pro-rata amount each fund has in the pool. Each fund's portion of this pool is displayed on the government wide statement of net assets as Cash and Investments.

Cash includes amounts in demand deposits, cash on hand, cash with fiscal agent and amounts in investment pools that have the general characteristics of demand deposit accounts, such as the State of Oregon Treasurer's Local Government Investment Pool.

State statutes authorize the City to invest in general obligations of the United States and its agencies, certain debt of Oregon municipalities, time deposits, savings accounts, certificates of deposit, bankers' acceptances, the Oregon State Treasurer's Investment Pool and certain highly rated commercial paper. Investment are stated at fair value.

For statement of cash flow purposes, cash in the City-wide cash and investment pool is considered to be cash, as all amounts are available for withdrawal at any time without prior notice or penalty by the proprietary funds.

5. Property Taxes Receivable

Property taxes receivable, which have been collected within sixty days subsequent to year-end, are considered measurable and available and are recognized as revenues in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance. All other property taxes receivable are offset by deferred property tax revenue and, accordingly, have not been recorded as revenue. The property tax calendar is as follows:

Lien	July 1
Levy	July 1
First Installment	November 15
Second Installment	February 15
Third Installment	May 15

6. Assessment and Liens Receivable

Assessment are amounts billed to property owners and receivables are recorded upon project completion. Revenues are recognized upon project completion in government wide financial statements, and when cash is collected in the fund financial statements.

CITY OF TUALATIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Receivables and Payables

Activity between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances."

8. Inventories

Inventories of supplies for governmental fund types are stated at cost (first-in, first-out basis) and are charged to expenditures as they are used. Inventories in the enterprise funds are stated at the lower of cost (first-in, first-out basis) or market value and are charged to expenses as they are used, consistent with the consumption method.

9. Pre-paid Items

Payments made to vendors that will benefit periods beyond June 30, 2006, are recorded as pre-paid items.

10. Restricted Assets

Certain assets are classified on the statement of net assets as restricted assets because their use is limited by applicable legal provision. Restricted assets arise primarily from the Water and Sewer system development charges and are restricted for renewal and replacement of the utility systems. Also governmental funds have funds restricted for scholarships.

11. Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (i.e. roads, pathways, street lights, etc.) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In the governmental fund statements, capital assets are charged to expenditures as purchased, and are capitalized in the proprietary fund statements. Capital assets are recorded at historical cost if purchased or constructed. Donated assets are recorded at estimated fair value as of the date of the donation. The City does not capitalize collections of works of art or historical treasures held for public exhibition, education, or research in furtherance of public service rather than capital gain, unless they were capitalized as of June 30, 1999. Proceeds from the sale, exchange, or other disposal of any item belonging to a collection or works of art of historical treasures must be applied to the acquisition of additional items for the same collection.

Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more, and an estimated useful life of greater than five years. Additions or improvements and other capital outlays that significantly extended 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 expenses as incurred.

CITY OF TUALATIN
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current fiscal year.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is calculated on the straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings and improvements	25 - 40
Improvements other than buildings	10 - 30
Machinery and equipment	5 - 10
Vehicles	5 - 10
Utility systems	25 - 40
Infrastructure	20 - 40

12. Long-Term Obligations

In the government wide financial statements, and proprietary fund types in the financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuance are reported as debt service expenditures.

The repayment of General Obligation, Urban Renewal & Redevelopment, Bancroft Improvement, and Limited Tax Improvement Bonds will be made from the Debt Service Funds. All other General Long-Term Debt will be repaid by the General and Debt Service Funds. All debt service payments are budgeted in the debt service category.

13. Compensated Absences

Accumulated vested vacation pay is accrued as it is earned. Compensated absences are reported in governmental funds only if they have matured. Compensated absences are liquidated from the funds in which payroll is paid, which is primarily the general, engineering, operations and urban renewal funds.

Sick pay, which does not vest, is recognized in all funds when leave is taken.

CITY OF TUALATIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

14. Fund Equity

Fund Balance - In the fund financial statement, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - Certain enterprise fund net assets are restricted by outside parties for construction and are included as restricted net assets and in the Tualatin Science and Technology Fund restricts assets for scholarships.

15. Use of Estimates

In preparing the City'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 amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - BUDGETARY COMPLIANCE AND ACCOUNTING

1. Budgetary Information

A budget is prepared for each governmental and proprietary fund in accordance with the legal requirements as set forth in the Oregon Local Budget Law.

The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The level of budgetary control is established by the Division in the City's operating funds (General, Engineering & Building, and Operations) and by budget category (Personal Services, Material and Services, Capital Outlay, etc.) in all remaining funds. The legal level of control is as shown on the budget to actual schedules. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires a hearing before the public, publication in newspapers and approval by the City Council. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control as approved by the City Council. City management is authorized to make changes to the budget within each organizational unit. Oregon state law requires disclosure of fund expenditures in excess of budgeted appropriations. Appropriations lapse as of year-end.

2. Basis of Accounting

The budgets for the governmental fund types are prepared in accordance with the modified accrual basis of account excluding capitalized lease proceeds and related capital outlays. Budgets for proprietary funds are prepared in accordance with the modified accrual basis of accounting.

CITY OF TUALATIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE B - CASH AND INVESTMENTS

Cash and Investments consisted of the following:

Petty Cash	\$ 1,112
Cash on deposit with various banks	(96,792)
State of Oregon Treasurer's Local Governmental Investment Pool 100% Maturity one day	<u>50,573,553</u>
Total	<u>\$ 50,477,873</u>

Deposits

For deposits in excess of federal depository insurance, Oregon Revised Statutes require the depository institution to maintain on deposit with a collateral pool manager, securities having a value not less than 25% of the outstanding certificates of participation issued by the pool manager. At June 30, 2006, the City's deposits for various financial institutions had a bank value of \$806,710 of which \$400,000 was covered by federal depository insurance, and the remainder was collateralized in accordance with Oregon Revised Statutes.

Investments

At year-end, 100 percent of the City's investments were in the Local Government Investment Pool, an external investment pool. The City does make investments outside the pool at times. A written policy is in place that specifies the following goals and procedures: preservation of capital and protection of principal; conformance with federal, state and legal requirements; maintenance of sufficient liquidity to meet operating requirements; avoidance of imprudent credit, market and speculative risk, and attainment of a market rate of return. This policy has not been adopted as yet by the City Council.

Credit Risk

State statutes authorize the City to invest primarily in general obligations of the U. S. Government and its agencies, bankers' acceptances, certain higher grade commercial papers, certain bonded obligations of Oregon municipalities, bank repurchase agreements, and the State Treasurer's investment pool, among others.

The State of Oregon Local Government Investment Pool (LGIP) is not registered with the U. S. Securities and Exchange Commission as an investment company. Oregon Revised Statutes and the Oregon Investment council govern the Pool's investment policies.

The State Treasurer is the investment officer for the pool and is responsible for its funds. These funds must be invested and the investment managed as a prudent investor would, exercising reasonable care, skill and caution.

Investments in the LGIP are further governed by portfolio guidelines issued by the Oregon Short-term funds Board, which establish diversification percentages and specify the types and maturities of investments. The Oregon Audits Division of the Secretary of State's Office audits the Pool on a yearly basis and for the year ended June 30, 2005, was unqualified.

Interest Rate Risk

The City's investment policy limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates. Investments in the LGIP are available upon demand (one day).

CITY OF TUALATIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE B - CASH AND INVESTMENTS (Continued)

Restricted Cash and Investments

The restricted cash and investments are comprised of scholarship awards in the Tualatin Science and Technology Fund. In addition, Water and Sewer Fund system development charges are restricted by state law and maintained in a separate bank account.

NOTE C - RECEIVABLES

Receivables at June 30, 2006 consist of the following:

	Due from other Governments	Accounts Receivable	Taxes Receivable	Assessments Receivable	Interest Receivable	Total
General	\$ 23,350	\$ 5,480	\$ 169,692	\$ -	\$ 697	\$ 199,219
Bancroft Bond	-	-	-	610,819	-	610,819
Park Development	4,422	-	-	-	-	4,422
General Urban Renewal District						
Bond Sinking	-	261	75,506	-	-	75,767
Leveton Tax Increment Bond Sinking	-	321	109,243	-	-	109,564
Non-major governmental funds	101,368	180,305	12,522	-	76	294,271
Water	-	463,123	-	-	-	463,123
Sewer	-	397,255	-	-	-	397,255
	<u>\$ 129,140</u>	<u>\$ 1,046,745</u>	<u>\$ 366,963</u>	<u>\$ 610,819</u>	<u>\$ 773</u>	<u>\$ 2,154,440</u>

Governmental funds reported deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Property taxes receivable - General Fund	\$ 149,285	\$ -
Property taxes receivable - General Obligation Bond Fund	9,445	-
Property taxes receivable - Central Urban Renewal District Bond Fund	65,510	-
Property taxes receivable - Leveton Tax Increment District Bond Fund	95,842	-
Special assessments not yet due - Bancroft Bond Fund	609,252	-
Utility service fee deposits - Water Fund	-	23,970
	<u>\$ 929,334</u>	<u>\$ 23,970</u>

CITY OF TUALATIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE C - ASSESSMENT LIENS RECEIVABLE (continued)

Assessment liens receivable represent the uncollected amounts levied against benefited property for the cost of local improvements. Because the assessments are liens against the benefited property, and allowance for uncollectible amounts is not deemed necessary. Substantially all assessments are payable over a period of fifteen years and bear interest at 5.7% to 10.1%.

NOTE D - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Amounts for interfund receivables and interfund payables are comprised of the following:

	Interfund Receivable	Interfund Payable
Governmental Activities:		
Major Funds:		
General Fund	\$ 640	\$ 86
Central Urban Renewal District Project Fund	189,500	93
Non-major Funds:		
Urban Renewal Fund	86	190,047
	\$ 190,226	\$ 190,226

Interfund payables and receivables were eliminated in the government wide financial statements since they were within governmental activities.

CITY OF TUALATIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE D - INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS (Continued)

All interfund transfers were budgeted and were for the purpose of reallocating resources between funds. Amounts for interfund transfers are comprised of the following:

	Transfers from:						
	Governmental Activities					Business-type activities	
Transfers to:	General Fund	Bancroft Bond Fund	Park Development	Central Urban Renewal District Project Fund	Leveton Tax Increment District Project Fund	Non-Major Governmental Fund	Sewer Fund
General Activities:							
General Fund	\$ -	\$ 8,305	\$ 14,260	\$ -	\$ -	\$ 1,029,016	\$ -
Bancroft Fund	-	-	-	-	-	-	-
Park Development Fund	2,000	-	-	100,000	-	-	-
Urban Renewal Fund	-	-	-	204,020	202,000	-	-
Central Urban Renewal District Projects Fund	-	-	-	-	-	189,500	-
Leveton Tax Increment District Projects Fund	-	-	-	-	-	-	-
Other Governmental Funds	1,030	-	-	20,690	11,200	2,038,360	100,000
	<u>\$ 3,030</u>	<u>\$ 8,305</u>	<u>\$ 14,260</u>	<u>\$ 324,710</u>	<u>\$ 213,200</u>	<u>\$ 3,256,876</u>	<u>\$ 100,000</u>

NOTE E- CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006 is as follows:

	Beginning Balance	Increases/ Reclassifications	Decreases/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 8,249,467	\$ 2,400,808	\$ -	\$ 10,650,275
Construction in progress	13,399,571	9,909,144	(21,514,786)	1,793,929
Total capital assets, not being depreciated	<u>21,649,038</u>	<u>12,309,952</u>	<u>(21,514,786)</u>	<u>12,444,204</u>
Capital assets, being depreciated				
Buildings	6,904,629	501,653	-	7,406,282
Improvements other than buildings	16,298,901	5,854,214	-	22,153,115
Machinery and equipment	2,485,615	161,276	-	2,646,891
Infrastructure	70,062,105	15,513,223	-	85,575,328
Total capital assets, being depreciated	<u>95,751,250</u>	<u>22,030,366</u>	<u>-</u>	<u>117,781,616</u>
Less accumulated depreciation for:				
Buildings	(2,069,886)	(224,224)	-	(2,294,110)
Improvements other than buildings	(4,392,682)	(476,904)	-	(4,869,586)
Machinery and equipment	(1,790,815)	(143,910)	-	(1,934,725)
Infrastructure	(24,139,448)	(1,854,482)	-	(25,993,930)
Total accumulated depreciation	<u>(32,392,831)</u>	<u>(2,699,520)</u>	<u>-</u>	<u>(35,092,351)</u>
Total capital assets being depreciated, net	<u>63,358,419</u>	<u>19,330,846</u>	<u>-</u>	<u>82,689,265</u>
Governmental activities capital assets, net	<u>\$ 85,007,457</u>	<u>\$ 31,640,798</u>	<u>\$ (21,514,786)</u>	<u>\$ 95,133,469</u>

CITY OF TUALATIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE E - CAPITAL ASSETS (Continued)

	Beginning Balance	Increases/ Reclassifications	Decreases/ Reclassifications	Ending Balance
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 861,053	\$ -	\$ -	\$ 861,053
Construction in progress	1,433,071	5,806,864	(4,988,332)	2,251,603
Total capital assets, not being depreciated	<u>2,294,124</u>	<u>5,806,864</u>	<u>(4,988,332)</u>	<u>3,112,656</u>
Capital assets, being depreciated				
Buildings	367,755	-	-	367,755
Improvements other than buildings	48,476,722	5,627,043	-	54,103,765
Machinery and equipment	903,142	-	-	903,142
Total capital assets, being depreciated	<u>49,747,619</u>	<u>5,627,043</u>	<u>-</u>	<u>55,374,662</u>
Less accumulated depreciation for:				
Buildings	(326,006)	(4,376)	-	(330,382)
Improvements other than buildings	(13,727,792)	(970,569)	-	(14,698,361)
Machinery and equipment	(136,063)	(74,703)	-	(210,766)
Total accumulated depreciation	<u>(14,189,860)</u>	<u>(1,049,648)</u>	<u>-</u>	<u>(15,239,508)</u>
Total capital assets being depreciated-net	<u>35,557,759</u>	<u>4,577,395</u>	<u>-</u>	<u>40,135,154</u>
Business-type activities capital assets-net	<u>\$ 37,851,883</u>	<u>\$ 10,384,259</u>	<u>\$ (4,988,332)</u>	<u>\$ 43,247,810</u>

Depreciation charged to functions/programs of the City are as follows:

Governmental activities:	
General government	\$ 251,998
Public safety	187,432
Highway and streets, including depreciation of infrastructure assets	1,854,577
Culture and recreation	281,540
Unallocated depreciation	123,973
	<u>\$ 2,699,520</u>
Business-type activities:	
Water	\$ 588,300
Sewer	461,348
	<u>\$ 1,049,648</u>

NOTE F - PENSION PLANS

Plan Description and Provisions:

Prior to June 30, 2000, members of the City's OPEU Bargaining Unit were eligible to participate in the contributory defined contributions pension plan. As of June 30, 2000, OPEU (now TEA) employees had the option to move their retirement funds into the OPERS defined benefit retirement plan. TEA employees remaining in the defined contribution plan will have their retirement plan contributions continued under the plan until their retirement or termination of City employment. New TEA employees hired after June 30, 2000, will participate in OPERS. The payroll for the six employees covered by the contributory defined contribution retirement plan for the year ended June 30, 2006, was \$305,064. The City's total payroll was \$7,456,644.

The City has elected to participate in a pool with the State of Oregon and other Oregon local governments and community college public employers for its PERS pension program (the "State and Local Government Rate Pool" or "SLGRP"). Current City employer rates for the period between July 1, 2005 and June 30, 2007, is based on the December 31, 2003 actuarial valuation and is 13.54% for PERS employees, 8.04% for OPSRP general service employees and 11.65% for OPSRP police employees.

These rates do not include the 6% employee contribution rate, which the City has elected to make on behalf of the members of the Tualatin Police Association. Other employees pay the 6% employee contribution themselves. In addition, the City pays a rate of 3.24% for all employees to pay toward its accrued actuarial deficit. Pension expense recorded by the City under the plan was \$26,632 and the participants contributed \$18,304 for the year ended June 30, 2006. The 2004 Interim Valuation indicates that the City has an accrued actuarial deficit of \$3.79 million.

With the exception of the six employees in the IMCA Plan, the City's regular employees hired prior to August 29, 2003, are participants in the Oregon Public Employees Retirement System (OPERS), a cost-sharing multiple-employer defined benefit public employee retirement system that acts as a common investment and administrative agent for government units in the State of Oregon. Benefits generally vest after five years of continuous service. Retirement is allowed at age 58 with unreduced benefits, but retirement is generally available at age 55 with reduced benefits. Retirement benefits are payable in a lump sum or a monthly amount using several payment options. OPERS also provides death and disability benefits.

Public employees hired after August 29, 2003, become members of the Oregon Public Service retirement Plan (OPSPR). Employer contributions are required by state statute and are made at actuarially determined rates. These benefit provisions and other requirements are established by state statutes, chapter 238, Oregon Revised Statutes. OPERS issues a publicly available comprehensive annual financial report that includes financial statements and required supplemental information. The stand-alone report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700

**CITY OF TUALATIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE F - PENSION PLAN (Continued)

Funding Policy:

Substantially all regular full-time City employees are participants under plans available through Oregon Public Employees Employment System (PERS), an agent multiple-employer public employee retirement system under authority of ORS 238.600. There are two programs determined by the date of employment. Those employed prior to August 29, 2003 are PERS Program members. Those employed on or after August 29, 2003 are Oregon Public Service Retirement Plan (OPSRP) Program members. OPSRP is a hybrid retirement plan with two component: 1) the Pension Program (defined benefited; established and maintained as a tax-qualified government defined benefit plan and 2) the Individual Account Program (IAP) (defined contribution, established and maintained as a tax qualified governmental defined contribution plan.)

Beginning January 1, 2004 active members of PERS members became members of OPSRP IAP. PERS plan member contributions (six percent employee contribution whether made by the employee or "picked-up" by the employer) go into the IAP portion of OPSRP. PERS plan members retain their existing PERS accounts, but future member contributions will be deposited in the members ASP, not into the member's PERS account.

Annual Pension Cost:

	Fiscal Year Ending		
	2006	2005	2004
City Contribution rate	11.88%	11.88%	11.88%
Employee contribution paid by City	6.00%	6.00%	6.00%
City total payroll	\$ 7,456,644	\$ 7,007,546	\$ 6,768,547
Payroll earned by OPERS participants	7,151,580	6,228,866	5,944,194
Annual pension cost	1,162,672	846,496	814,013
Net pension obligation	-	-	-

The contributions actually made are equivalent to the annual pension cost. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8.0% per year; (b) projected salary increases due to general wage adjustments of 4.0% per year; (c) projected automatic post-retirement benefit increases of 2.0% per year; and (d) demographic assumptions that have been chosen to reflect the best estimate of emerging experience of the members of OPERS. Consumer price inflation is assumed to be 3.5% per year. The unfunded actuarial liability is amortized as a level percentage of covered payroll over a thirty-year period on an open basis. The actuarial value of plan assets is based on fair value.

Trend information as required by statement No. 27 of the Government Standards Board is designed to give an indication of the progress made in accumulating sufficient assets to pay benefits when due.

CITY OF TUALATIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE F - PENSION PLANS (Continued)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Excess of Actuarial Value of Assets (EAVA)	Funded Percent	Covered Payroll	(UAAL) as a Percentage of Payroll
December 31, 1999	13,879,938	13,436,003	\$ -	\$ 443,925	103%	\$ 2,855,372	-16%
December 31, 2001	Pooled	Pooled	-	1,723,699	Pooled	5,419,408	-32%
December 31, 2002	Pooled	Pooled	3,878,875	-	Pooled	5,631,689	69%
December 31, 2003	Pooled	Pooled	5,872,557	-	Pooled	5,792,986	101%
December 31, 2004	Pooled	Pooled	6,591,563	-	Pooled	6,198,253	34%

NOTE G - LEASES

Operating Leases

The City has entered into various non-cancelable, operating leases with a term of more than one year for office equipment. The future minimum lease payments for these leases are as follows:

Capital Leases

The City has entered into various lease agreements as a lessee to finance the acquisition of computer equipment and an operating system. The leases are secured by equipment. These lease agreements qualify as capital leases for accounting purposes, and have been recorded at the present value of their future minimum lease payments as of the inception.

CITY OF TUALATIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE G - LEASES (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June

<u>YEAR ENDED JUNE 30</u>	<u>Amount</u>
2007	\$ 20,620
2008	20,620
2009	20,620
2010	10,310
Total minimum lease payments	72,170
Less amount representing interest	(9,524)
Present value of minimum lease payments	\$ 62,646

NOTE H - LONG-TERM DEBT

General Obligation Bonds

The City issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities only. General obligation bonds were issued in February 1999 in the amount of \$3,970,000 for the construction of a police facility. The bonds have an interest rate ranging from 3.50 to 4.65% with final maturity in 2019. The principal balance outstanding at June 30, 2006 is \$3,675,000. In 2005 the City of Tualatin issued bonds for parks Improvements in the amount of \$3,785,000; outstanding at June 30, 2006 was \$3,705,000.

<u>Purpose</u>	<u>Interest rate</u>	<u>Amount</u>
Governmental activities - Police facility	3.50 - 4.65%	\$ 3,675,000
Governmental activities - Parks Improvements	2.5 - 3.75%	3,705,000
		\$ 7,380,000

**CITY OF TUALATIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE H - LONG-TERM DEBT (Continued)

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 355,000	\$ 298,180
2008	370,000	285,870
2009	385,000	272,445
2010	395,000	258,123
2011	410,000	243,121
2012-2016	2,330,000	950,639
2017-2021	2,115,000	416,093
2022-2025	1,020,000	85,595
Total	<u>\$ 7,380,000</u>	<u>\$ 2,810,066</u>

Subsequent Events

In November of 2006 it is anticipated bonds will be sold to finance capital improvements to be made to the library for approximately \$4,200,000. Additional funds from Urban Renewal in the amount of \$4.77 million have been allocated towards the construction of the Tualatin Library expansion to pay for the library enlargement. The library is located near the center of the Central Urban Renewal District (CURD) and, as such, its improvement and enlargement are consistent with revitalizing the CURD.

Urban Renewal and Redevelopment Bonds

There are two urban renewal districts within the City of Tualatin--the Central Urban Renewal District (CURD) and the Leveton Tax Increment District. The CURD has used debt to revitalize and redevelop the downtown area of the City of Tualatin. The Leveton District continued to redevelop street and infrastructure including water and sewer improvement in the industrial area.

Central Urban Renewal Bonds which are still outstanding include the 2004 Bond which consists of two parts; Part A replaced the 1987 Bond which paid for land acquisition, relocation and clearance for the town center, and had a balance of \$195,000 as of June 30, 2006 and an interest rate of 2.4%. Part B was the source of new funds to finance Boones Ferry Road Phase 1, utility underground, transportation, and streetscape improvements and had a balance of \$1,030,000 as of June 30, 2006 and an interest rate of 3.05%. The 2004 Series is not secured by a reserve and, although special levy could be imposed if needed to pay for the debt, all tax increment projections indicate it will not be necessary.

**CITY OF TUALATIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE H - LONG-TERM DEBT (Continued)

Remaining debt for the Leveton Tax Increment District includes the 2004 Refunding Bond with a balance of \$225,000 as of June 30, 2006 and interest rate of 5.85% and the Intermediate Financing (original amount of \$4,085,000 with an outstanding balance of \$2,800,000 at June 30, 2006 and interest rate of 2.9%). The proceeds from this financing are being used for improvements of infrastructure at 124th Avenue from SW Leveton Drive to SW Myslony Street.

Urban Renewal and Redevelopment Bond debt service requirements to maturity are as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 1,220,000	\$ 123,483
2008	1,060,000	88,875
2009	970,000	57,925
2010	1,000,000	29,405
Total	<u>\$ 4,250,000</u>	<u>\$ 299,688</u>

Limited Tax Improvement Bonds

In 1998, the City issued Limited Tax Improvement Bonds for a street improvement project in the amount of \$2,460,000 with an interest rate of 4.70%. The City has pledged all assessments levied within a Local Improvement District to pay the debt service on the bonds. Principal on the debt is not due until 2014, however, the debt was structured to allow payment of principal as assessment payments and pre-payments are received. In most years principal has been called in round lots and to date, \$1,760,000 of the principal has been paid.

<u>YEAR ENDED JUNE 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ -	\$ 32,900
2008	-	32,900
2009	-	32,900
2010	-	32,900
2011-2015	700,000	164,500
Total	<u>\$ 700,000</u>	<u>\$ 296,100</u>

**CITY OF TUALATIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE H - LONG-TERM DEBT (Continued)

Water Revenue Bonds

During 2005-06 the City of Tualatin sold revenue bonds in the amount of \$7,305,000 to be payable solely from net revenue of the City's water system. The proceeds are to be used primarily for construction of a five million gallon water reservoir and the retrofitting of four existing water reservoirs and three water pump stations to meet current seismic loading standards. The City covenants for the owners of all Series 2005 bonds to establish and maintain rates and charges in connection with the operation of the System which, when combined with other Gross Revenues, are adequate to generate net revenues for each year at least equal to 1.25 times annual Bond Debt Service due in that fiscal year and net operating revenue after the deduction of system development charges equal to 1.15 times annual debt service due in the fiscal year. Interest rates for this bond range from 4.25 % to 4.5%.

<u>YEAR ENDED JUNE 30,</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 245,000	\$ 298,369
2008	255,000	287,744
2009	265,000	276,694
2010	275,000	265,906
2011-2015	1,530,000	1,162,844
2016-2020	1,875,000	826,077
2021-2025	2,330,000	383,195
2026-2030	530,000	11,925
Total	<u>\$ 7,305,000</u>	<u>\$ 3,512,754</u>

**CITY OF TUALATIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE H - LONG-TERM DEBT (Continued)

Long-term liability activity for the year ended June 30, 2006 was as follows:

Governmental activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:					
General Obligation bonds Feb 1999	\$ 3,880,000	\$ -	\$ (205,000)	\$ 3,675,000	\$ 215,000
General Obligation bonds Jan 2005	3,785,000	-	(80,000)	3,705,000	140,000
Urban Renewal and Redevelopment Bond	5,440,000	-	(1,190,000)	4,250,000	1,220,000
Limited tax improvement bonds	780,000	-	(80,000)	700,000	-
Total bonds payable	13,885,000	-	(1,555,000)	12,330,000	1,575,000
Capital leases	77,984	-	(15,338)	62,646	20,620
Compensated absences	499,980	588,310	(527,638)	560,652	546,672
Governmental activity long-term liabilities	<u>\$ 14,462,964</u>	<u>\$ 588,310</u>	<u>\$ (2,097,976)</u>	<u>\$ 12,953,298</u>	<u>\$ 2,142,292</u>
Business-type activities:					
Bonds Payable:					
Revenue Bonds	<u>\$ -</u>	<u>\$ 7,305,000</u>	<u>\$ -</u>	<u>\$ 7,305,000</u>	<u>\$ 245,000</u>

CITY OF TUALATIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE I - COMMITMENTS AND CONTINGENCIES

The City is subject to the ordinary risks of loss to which similar entities are exposed. These risks are handled through the purchase of commercial insurance and participation in a worker's compensation self-insurance pool and a property/liability self-insurance pool. These pools are administered by the City/County Insurance Service Trust (CCIS). The City has no significant claims against it that are in excess of its coverage. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years. The City pays an annual premium to CCIS for its insurance coverage. Based on the experience of the City and pool, the City may be liable for an additional premium of up to approximately 20% of its initial premium or the City may receive a refund. The City has never had to pay an additional premium. Predetermined limits and deductible amounts are stated in the policy.

The City had approximately \$2,931,673 of commitments with respect to unfinished capital projects at June 30, 2006.

Federal and state grants are subject to audit by the grantor agencies and any adjustments may become a liability of the appropriate fund. Management believes that adjustments, if any, will not materially affect the City's financial position.

The City is a defendant in various pending legal proceedings. Management believes any losses arising from these actions will not materially affect the City's financial position.

NOTE J - CONSTITUTIONAL PROPERTY TAX LIMITATION

The State of Oregon has a constitutional limit on property taxes for governmental operations. Under the limit, tax revenues are separated into those for public schools and those for other local governments. The limitation specifies a maximum rate for local government operations of \$10.00 per \$1,000 of real market value. Local government taxes in the City currently do not exceed the \$10.00 rate limit, however this limitation may effect the availability of future tax revenues for the City.

In May of 1977, the voters approved Measure 50 which rolled back assessed values to 90 percent of the 1995-96 levels and limits future increases to 3 percent, except for major improvements. Tax rates are now fixed and not subject to change. Voters may approve local initiatives above the fixed rate provided a majority approves it at either (i) a general election in an even number year, or (ii) at any other election in which at least 50 percent of registered voters cast a ballot.

COMBINING BALANCE SHEET NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

These funds account for revenues, primarily from charges for services and licenses and permits which are used for specific purposes. Funds included in the Special Revenue category are:

Engineering Fund - accounts for revenues from various fees collected from builders for the construction of buildings and expended for services rendered primarily by the City's building and engineering department.

Operations Fund - accounts for resources used to provide certain City administrative and maintenance functions for the water, sewer and street funds.

Storm Drain Fund - accounts for storm drainage fees from the property located within the City and business owners to maintain the storm drain systems.

Road Utility Fee Fund - accounts for road utility fees from the property located within the City and business owners to maintain pavement maintenance and street lighting.

Road Gas Tax Fund - accounts for gas taxes received from the State of Oregon and Washington County for the operation and maintenance of the street system, traffic signals, bike paths and landscaping of roadside areas.

Core Area Parking Fund - accounts for parking fees from the property located within the City and business owners to develop additional downtown parking areas and maintain existing parking areas,

Tualatin Science and Technology Fund - accounts for scholarship awards.

Road SDC Fund - accounts for funds received from systems development charges and used for system improvements.

Storm Drain SDC Fund - accounts for funds received from systems development charges and used for system improvements.

Urban Renewal Fund - accounts for the general operations of the City's Urban Renewal Agency.

Debt Service Funds

The Debt Service Funds account for the payment of principal and interest on General Obligation Improvement Bonds, Bancroft Improvement Bonds and Tax Increment Bonds. Funds included in this category are:

General Obligation Bond Fund - accounts for the payment of principal and interest on general obligation bonds. Resources are provided by property taxes.

Capital Project Funds

These funds account for the construction and acquisition of capital assets financed by bond sales and interest earnings. Funds included within this category are:

Capital Projects Fund - accounts for the construction of major capital assets of the City. Resources are provided primarily by the sale of General Obligation and Bancroft Improvement Bonds.

Infrastructure Fund - accounts for accumulation of funds to construct future capital projects. Resources are provided by other city funds.

This page intentionally left blank.

**CITY OF TUALATIN
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2006**

	Total Non-major Special Revenue Funds	Total Non-major Debt Service Funds	Total Non-major Capital Projects Funds	Total Non-major Governmental Funds
ASSETS				
Cash and investments	\$ 8,275,870	\$ 897,330	\$ 3,747,689	\$ 12,920,889
Receivables				
Accounts	180,305	-	-	180,305
Property taxes	-	12,522	-	12,522
Interest	-	76	-	76
Due from other governments	101,368	-	-	101,368
Due from other funds	86	-	-	86
Inventory	32,804	-	-	32,804
	<u>8,590,433</u>	<u>909,928</u>	<u>3,747,689</u>	<u>13,248,050</u>
Total assets	<u>\$ 8,590,433</u>	<u>\$ 909,928</u>	<u>\$ 3,747,689</u>	<u>\$ 13,248,050</u>
LIABILITIES				
Accounts payable	\$ 395,327	\$ -	\$ -	\$ 395,327
Due to other governments	2,486	-	-	2,486
Due to other funds	190,047	-	-	190,047
Deposits	491,634	-	-	491,634
Retainage	70,150	-	-	70,150
Deferred revenue	-	9,445	-	9,445
	<u>1,149,644</u>	<u>9,445</u>	<u>-</u>	<u>1,159,089</u>
Total liabilities	<u>1,149,644</u>	<u>9,445</u>	<u>-</u>	<u>1,159,089</u>
FUND BALANCES				
Reserved for inventory	32,804	-	-	32,804
Reserved for scholarships	60,094	-	-	60,094
Unreserved	7,347,891	900,483	3,747,689	11,996,063
	<u>7,440,789</u>	<u>900,483</u>	<u>3,747,689</u>	<u>12,088,961</u>
Total fund balances	<u>7,440,789</u>	<u>900,483</u>	<u>3,747,689</u>	<u>12,088,961</u>
	<u>\$ 8,590,433</u>	<u>\$ 909,928</u>	<u>\$ 3,747,689</u>	<u>\$ 13,248,050</u>
Total liabilities and fund balances	<u>\$ 8,590,433</u>	<u>\$ 909,928</u>	<u>\$ 3,747,689</u>	<u>\$ 13,248,050</u>

**CITY OF TUALATIN
NON-MAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2006**

	Engineering Fund	Operations Fund	Storm Drain	Road Utility Fee	Road Gas Tax
ASSETS					
Cash and investments	\$ 2,289,423	\$1,267,965	\$ 491,809	\$ 845,932	\$ 703,715
Accounts receivable	293	60	105,017	74,781	154
Due from other governments	-	-	-	-	-
Due from other funds	-	-	-	-	-
Inventory	-	-	-	-	32,804
Total assets	\$ 2,289,716	\$1,268,025	\$ 596,826	\$ 920,713	\$ 736,673
LIABILITIES					
Accounts payable	\$ 112,366	\$ 68,994	\$ 45,631	\$ 10,209	\$ 50,909
Due to other governments	2,486	-	-	-	-
Due to other funds	-	-	-	-	-
Deposits	241,218	-	-	-	-
Retainage	-	-	-	-	-
Total liabilities	356,070	68,994	45,631	10,209	50,909
FUND BALANCES					
Reserved for inventory	-	-	-	-	32,804
Reserved for scholarships	-	-	-	-	-
Unreserved	1,933,646	1,199,031	551,195	910,504	652,960
Total fund balance	1,933,646	1,199,031	551,195	910,504	685,764
Total liabilities and fund balances	\$ 2,289,716	\$1,268,025	\$ 596,826	\$ 920,713	\$ 736,673

Core Area Parking	Tualatin Science and Technology	Road SDC Fund	Storm Drain SDC Fund	Urban Renewal	Total
\$ 200,236	\$ 60,094	\$ 1,381,727	\$ 755,916	\$ 279,053	\$ 8,275,870
-	-	-	-	-	180,305
-	-	101,368	-	-	101,368
-	-	-	-	86	86
-	-	-	-	-	32,804
<u>\$ 200,236</u>	<u>\$ 60,094</u>	<u>\$ 1,483,095</u>	<u>\$ 755,916</u>	<u>\$ 279,139</u>	<u>\$ 8,590,433</u>
\$ 4,121	\$ -	\$ 59,182	\$ 36,257	\$ 7,658	\$ 395,327
-	-	-	-	-	2,486
59,500	-	130,000	-	547	190,047
-	-	250,416	-	-	491,634
-	-	70,150	-	-	70,150
<u>63,621</u>	<u>-</u>	<u>509,748</u>	<u>36,257</u>	<u>8,205</u>	<u>1,149,644</u>
-	-	-	-	-	32,804
-	60,094	-	-	-	60,094
<u>136,615</u>	<u>-</u>	<u>973,347</u>	<u>719,659</u>	<u>270,934</u>	<u>7,347,891</u>
<u>136,615</u>	<u>60,094</u>	<u>973,347</u>	<u>719,659</u>	<u>270,934</u>	<u>7,440,789</u>
<u>\$ 200,236</u>	<u>\$ 60,094</u>	<u>\$ 1,483,095</u>	<u>\$ 755,916</u>	<u>\$ 279,139</u>	<u>\$ 8,590,433</u>

**CITY OF TUALATIN
NON-MAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2006**

	Capital Projects Fund	Infrastructure	Total
ASSETS			
Cash and investments	\$ 453,582	\$ 3,294,107	\$ 3,747,689
Total assets	<u>\$ 453,582</u>	<u>\$ 3,294,107</u>	<u>\$ 3,747,689</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Retainage	-	-	-
Total liabilities	-	-	-
FUND BALANCES			
Unreserved	453,582	3,294,107	3,747,689
Total liabilities and fund balances	<u>\$ 453,582</u>	<u>\$ 3,294,107</u>	<u>\$ 3,747,689</u>

**CITY OF TUALATIN
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2006**

	Total Non-major Special Revenue Funds	Total Non-major Debt Service Fund	Total Non-major Capital Projects Funds	Total
REVENUES				
Taxes	\$ -	\$ 523,541	\$ -	\$ 523,541
Licenses and permits	1,962,465	-	-	1,962,465
Intergovernmental	1,781,596	-	-	1,781,596
Charges for services	2,433,778	-	-	2,433,778
Interest	275,451	32,276	153,186	460,913
Miscellaneous	203,179	-	-	203,179
Total revenues	6,656,469	555,817	153,186	7,365,472
EXPENDITURES				
Current				
General government	2,967,833	800	-	2,968,633
Highways and streets	277,299	-	-	277,299
Debt service				
Principal	-	285,000	-	285,000
Interest	-	363,434	-	363,434
Capital outlay	3,365,371	-	-	3,365,371
Total expenditures	6,610,503	649,234	-	7,259,737
Excess (deficiency) of revenues over (under) expenditures	45,966	(93,417)	153,186	105,735
OTHER FINANCING SOURCES (USES)				
Transfers in	2,467,020	-	110,280	2,577,300
Transfers out	(2,583,606)	-	(673,270)	(3,256,876)
Total other financing sources and (uses)	(116,586)	-	(562,990)	(679,576)
Net change in fund balance	(70,620)	(93,417)	(409,804)	(573,841)
BEGINNING FUND BALANCE	7,511,409	993,900	4,157,493	12,662,802
ENDING FUND BALANCE	\$ 7,440,789	\$ 900,483	\$ 3,747,689	\$ 12,088,961

**CITY OF TUALATIN
NON-MAJOR REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2006**

	Engineering Fund	Operations Fund	Storm Drain	Road Utility Fee
REVENUES				
Licenses and permits	\$ 1,148,414	\$ -	\$ -	\$ 814,051
Intergovernmental	-	-	-	-
Charges for services	-	-	1,170,884	-
Interest	79,738	40,736	18,958	25,716
Miscellaneous	29,722	168,100	-	-
Total revenues	<u>1,257,874</u>	<u>208,836</u>	<u>1,189,842</u>	<u>839,767</u>
EXPENDITURES				
Current				
General government	1,190,949	-	473,854	664,552
Highways and streets	-	277,299	-	-
Capital outlay	32,199	216,177	4,750	-
Total expenditures	<u>1,223,148</u>	<u>493,476</u>	<u>478,604</u>	<u>664,552</u>
Excess (deficiency) of revenues over (under) expenditures	<u>34,726</u>	<u>(284,640)</u>	<u>711,238</u>	<u>175,215</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	585,175	616,458	-	-
Transfers out	(337,205)	-	(732,515)	(91,867)
Total other financing sources and (uses)	<u>247,970</u>	<u>616,458</u>	<u>(732,515)</u>	<u>(91,867)</u>
Net change in fund balance	282,696	331,818	(21,277)	83,348
BEGINNING FUND BALANCE	<u>1,650,950</u>	<u>867,213</u>	<u>572,472</u>	<u>827,156</u>
ENDING FUND BALANCE	<u>\$ 1,933,646</u>	<u>\$ 1,199,031</u>	<u>\$ 551,195</u>	<u>\$ 910,504</u>

Road Gas Tax	Core Area Parking	Tualatin Science and Technology	Road SDC Fund	Storm Drain SDC Fund	Urban Renewal	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,962,465
1,319,299	-	-	462,297	-	-	1,781,596
-	49,593	-	1,079,309	133,992	-	2,433,778
25,867	7,188	2,222	44,095	19,445	11,486	275,451
5,512	-	-	-	-	(155)	203,179
<u>1,350,678</u>	<u>56,781</u>	<u>2,222</u>	<u>1,585,701</u>	<u>153,437</u>	<u>11,331</u>	<u>6,656,469</u>
342,742	14,066	4,000	-	58,908	218,762	2,967,833
-	-	-	-	-	-	277,299
70,549	-	-	2,294,308	747,388	-	3,365,371
<u>413,291</u>	<u>14,066</u>	<u>4,000</u>	<u>2,294,308</u>	<u>806,296</u>	<u>218,762</u>	<u>6,610,503</u>
937,387	42,715	(1,778)	(708,607)	(652,859)	(207,431)	45,966
109,367	-	-	100,000	650,000	406,020	2,467,020
(972,517)	(93,552)	-	(178,209)	(11,030)	(166,711)	(2,583,606)
<u>(863,150)</u>	<u>(93,552)</u>	<u>-</u>	<u>(78,209)</u>	<u>638,970</u>	<u>239,309</u>	<u>(116,586)</u>
74,237	(50,837)	(1,778)	(786,816)	(13,889)	31,878	(70,620)
611,527	187,452	61,872	1,760,163	733,548	239,056	7,511,409
<u>\$ 685,764</u>	<u>\$ 136,615</u>	<u>\$ 60,094</u>	<u>\$ 973,347</u>	<u>\$ 719,659</u>	<u>\$ 270,934</u>	<u>\$ 7,440,789</u>

**CITY OF TUALATIN
NON-MAJOR CAPITAL PROJECTS FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2006**

	Capital Projects Fund	Infrastructure	Total
REVENUES			
Interest	\$ 16,697	\$ 136,489	153,186
Miscellaneous	-	-	-
Total revenues	16,697	136,489	153,186
EXPENDITURES			
Total expenditures	-	-	-
Excess (deficiency) of revenues over (under) expenditures	16,697	136,489	153,186
OTHER FINANCING SOURCES (USES)			
Transfers in	-	110,280	110,280
Transfers out	(5,770)	(667,500)	(673,270)
Total other financing sources and (uses)	(5,770)	(557,220)	(562,990)
Net change in fund balance	10,927	(420,731)	(409,804)
BEGINNING FUND BALANCE	442,655	3,714,838	4,157,493
ENDING FUND BALANCE	\$ 453,582	\$ 3,294,107	\$ 3,747,689

BUDGETARY COMPARISON SCHEDULES

Pursuant to the provision of Oregon Revised Statute 297.465, Oregon Administrative Rule #162-010-0130, *Minimum Standards for Audits of Oregon Municipal Corporations*, requires a schedule of revenues, expenditures/expenses, and changes in fund balances/net asses, budget and actual be displayed for each fund where legally adopted budgets are required.

In accordance with generally accepted accounting principles, the City's General Fund and all major special revenue funds are presented as basic financial statements. All other fund budgetary comparisons are displayed in the following pages as supplemental information.

This page intentionally left blank.

**SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
BUDGETARY COMPARISON SCHEDULES**

Special Revenue Funds

- * Engineering
- * Operations
- * Storm Drain
- * Road Utility Fee
- * Road Gas Tax
- * Core Area Parking
- * Tualatin Science and Technology
- * Road SDC
- * Storm Drain SDC
- * Urban Renewal

Debt Service Funds

- * General Obligation Bond
- * Bancroft Bond
- * Central Urban Renewal District Bond Sinking
- * Leveton Tax Increment District Bond Sinking

Capital Projects Funds

- * Capital Projects
- * Library/Parks Improvement
- * Infrastructure
- * Central Urban Renewal District Projects
- * Leveton Tax Increment District Projects

This page intentionally left blank.

CITY OF TUALATIN
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
ENGINEERING FUND

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Adjustment to GAAP Basis Actual	GAAP Basis Actual
	Original	Final				
REVENUES						
Building permit fees	\$ 449,000	\$ 449,000	\$ 601,911	\$ 152,911	\$ -	\$ 601,911
Plan check fees	265,900	265,900	493,293	227,393	-	493,293
Public works permit fees	73,000	73,000	53,210	(19,790)	-	53,210
Interest	44,556	44,556	79,738	35,182	-	79,738
Miscellaneous	-	-	29,722	29,722	-	29,722
Total revenues	832,456	832,456	1,257,874	425,418	-	1,257,874
EXPENDITURES						
Administration	453,791	453,791	406,758	47,033	(235,595)	171,163
Engineering - capital	535,023	535,023	446,873	88,150	-	446,873
Building	790,014	790,014	788,361	1,653	(248,310)	540,051
Non-departmental	43,870	43,870	32,862	11,008	-	32,862
Capital outlay	116,000	116,000	32,199	83,801	-	32,199
Contingency	613,852	613,852	-	613,852	-	-
Reserve funds	516,979	516,979	-	516,979	-	-
Total expenditures	3,069,529	3,069,529	1,707,053	1,362,476	(483,905)	1,223,148
Excess of revenues over (under) expenditures	(2,237,073)	(2,237,073)	(449,179)	(937,058)	483,905	34,726
OTHER FINANCING SOURCES (USES)						
Transfers in	1,069,080	1,069,080	1,069,080	-	(483,905)	585,175
Transfers out	(337,205)	(337,205)	(337,205)	-	-	(337,205)
Total other financing sources (uses)	731,875	731,875	731,875	-	(483,905)	247,970
Excess of revenues and other sources over (under) expenditures and other uses	(1,505,198)	(1,505,198)	282,696	(937,058)	-	282,696
BEGINNING FUND BALANCE	1,505,198	1,505,198	1,650,950	145,752	-	1,650,950
ENDING FUND BALANCE	\$ -	\$ -	\$1,933,646	\$ (791,306)	\$ -	\$1,933,646

CITY OF TUALATIN
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
OPERATIONS FUND

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Adjustment to GAAP Basis Actual	GAAP Basis Actual
	Original	Final				
REVENUES						
Interest	\$ 5,000	\$ 5,000	\$ 40,736	\$ 35,736	\$ -	\$ 40,736
Miscellaneous	12,180	12,180	168,100	155,920	-	168,100
Total revenues	17,180	17,180	208,836	191,656	-	208,836
EXPENDITURES						
Administration	335,267	335,267	305,415	29,852	(305,415)	-
Water division	560,841	560,841	513,437	47,404	(513,437)	-
Sewer division	292,583	292,583	193,849	98,734	(193,849)	-
Street division	428,055	428,055	368,526	59,529	(91,227)	277,299
Non-departmental	20,310	20,310	40,954	(20,644)	(40,954)	-
Capital outlay	346,220	346,220	216,177	130,043	-	216,177
Contingency	25,000	25,000	-	25,000	-	-
Reserve funds	577,791	577,791	-	577,791	-	-
Total expenditures	2,586,067	2,586,067	1,638,358	947,709	(1,144,882)	493,476
Excess of revenues over (under) expenditures	(2,568,887)	(2,568,887)	(1,429,522)	1,139,365	1,144,882	(284,640)
OTHER FINANCING SOURCES (USES)						
Transfers in	1,761,340	1,761,340	1,761,340	-	(1,144,882)	616,458
Excess of revenues and other sources over (under) expenditures and other uses	(807,547)	(807,547)	331,818	1,139,365	-	331,818
BEGINNING FUND BALANCE	807,547	807,547	867,213	59,666	-	867,213
ENDING FUND BALANCE	\$ -	\$ -	\$1,199,031	\$1,199,031	\$ -	\$1,199,031

CITY OF TUALATIN
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
STORM DRAIN FUND

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Storm drainage fees	\$ 1,169,483	\$ 1,169,483	\$ 1,170,884	\$ 1,401
Interest	16,499	16,499	18,958	2,459
Total revenues	<u>1,185,982</u>	<u>1,185,982</u>	<u>1,189,842</u>	<u>3,860</u>
EXPENDITURES				
Materials and services	560,171	560,171	473,854	86,317
Capital outlay	25,000	25,000	4,750	20,250
Contingency	418,270	418,270	-	418,270
Total expenditures	<u>1,003,441</u>	<u>1,003,441</u>	<u>478,604</u>	<u>524,837</u>
Excess of revenues over (under) expenditures	<u>182,541</u>	<u>182,541</u>	<u>711,238</u>	<u>528,697</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(732,515)</u>	<u>(732,515)</u>	<u>(732,515)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(549,974)</u>	<u>(549,974)</u>	<u>(21,277)</u>	<u>528,697</u>
BEGINNING FUND BALANCE	<u>549,974</u>	<u>549,974</u>	<u>572,472</u>	<u>22,498</u>
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 551,195</u>	<u>\$ 551,195</u>

CITY OF TUALATIN
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
ROAD UTILITY FEE FUND

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Road utility fees	\$ 804,528	\$ 804,528	\$ 814,051	\$ 9,523
Interest	21,056	21,056	25,716	4,660
Total revenues	825,584	825,584	839,767	14,183
EXPENDITURES				
Materials and services	706,840	715,440	664,552	50,888
Contingency	728,731	720,131	-	720,131
Total expenditures	1,435,571	1,435,571	664,552	771,019
Excess of revenues over (under) expenditures	(609,987)	(609,987)	175,215	785,202
OTHER FINANCING SOURCES (USES)				
Transfers out	(91,867)	(91,867)	(91,867)	-
Excess of revenues and other sources over (under) expenditures and other uses	(701,854)	(701,854)	83,348	785,202
BEGINNING FUND BALANCE	701,854	701,854	827,156	125,302
ENDING FUND BALANCE	\$ -	\$ -	\$ 910,504	\$ 910,504

CITY OF TUALATIN
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
ROAD GAS TAX FUND

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
State gasoline taxes	\$ 1,205,101	\$ 1,205,101	\$ 1,223,086	\$ 17,985
Washington county gas tax	90,000	90,000	96,213	6,213
Interest	17,613	17,613	25,867	8,254
Miscellaneous	2,000	2,000	5,512	3,512
Total revenues	1,314,714	1,314,714	1,350,678	35,964
EXPENDITURES				
Materials and services	418,532	418,532	342,742	75,790
Capital outlay	130,500	130,500	70,549	59,951
Contingency	489,629	489,629	-	489,629
Total expenditures	1,038,661	1,038,661	413,291	625,370
Excess of revenues over (under) expenditures	276,053	276,053	937,387	661,334
OTHER FINANCING SOURCES (USES)				
Transfers in	109,367	109,367	109,367	-
Transfers out	(972,517)	(972,517)	(972,517)	-
Total other financing sources (uses)	(863,150)	(863,150)	(863,150)	-
Excess of revenues and other sources over (under) expenditures and other uses	(587,097)	(587,097)	74,237	661,334
BEGINNING FUND BALANCE	587,097	587,097	611,527	24,430
ENDING FUND BALANCE	\$ -	\$ -	\$ 685,764	\$ 685,764

CITY OF TUALATIN
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
CORE AREA PARKING FUND

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Parking district tax	\$ 47,441	\$ 47,441	\$ 49,593	\$ 2,152
Interest	3,466	3,466	7,188	3,722
Total revenues	50,907	50,907	56,781	5,874
EXPENDITURES				
Materials and services	19,126	19,126	14,066	5,060
Contingency	4,254	4,254	-	4,254
Reserve funds	107,353	107,353	-	107,353
Total expenditures	130,733	130,733	14,066	116,667
Excess of revenues over (under) expenditures	(79,826)	(79,826)	42,715	122,541
OTHER FINANCING SOURCES (USES)				
Transfers out	(93,552)	(93,552)	(93,552)	-
Excess of revenues and other sources over (under) expenditures and other uses	(173,378)	(173,378)	(50,837)	122,541
BEGINNING FUND BALANCE	173,378	173,378	187,452	14,074
ENDING FUND BALANCE	\$ -	\$ -	\$ 136,615	\$ 136,615

**CITY OF TUALATIN
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
TUALATIN SCIENCE & TECHNOLOGY FUND**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ 1,500	\$ 1,500	\$ 2,222	\$ 722
EXPENDITURES				
Material and service	4,000	4,000	4,000	-
Reserve funds	59,038	59,038	-	59,038
Total expenditures	63,038	63,038	4,000	59,038
Excess of revenues over (under) expenditures	(61,538)	(61,538)	(1,778)	59,760
BEGINNING FUND BALANCE	61,538	61,538	61,872	334
ENDING FUND BALANCE	\$ -	\$ -	\$ 60,094	\$ 60,094

**CITY OF TUALATIN
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
ROAD SDC FUND**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 500,000	\$ 800,000	\$ 462,297	\$ (337,703)
System development fees	640,166	790,166	1,079,309	289,143
Interest	40,804	40,804	44,095	3,291
Total revenues	1,180,970	1,630,970	1,585,701	(45,269)
EXPENDITURES				
Capital outlay	2,270,000	3,170,000	2,294,308	875,692
Contingency	322,891	142,891	-	142,891
Total expenditures	2,592,891	3,312,891	2,294,308	1,018,583
Excess of revenues over (under) expenditures	(1,411,921)	(1,681,921)	(708,607)	973,314
OTHER FINANCING SOURCES (USES)				
Transfers in	100,000	100,000	100,000	-
Transfers out	(48,209)	(178,209)	(178,209)	-
Total other financing sources (uses)	51,791	(78,209)	(78,209)	-
Excess of revenues and other sources over (under) expenditures and other uses	(1,360,130)	(1,760,130)	(786,816)	973,314
BEGINNING FUND BALANCE	1,360,130	1,760,130	1,760,163	33
ENDING FUND BALANCE	\$ -	\$ -	\$ 973,347	\$ 973,347

CITY OF TUALATIN
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
STORM DRAIN SDC FUND

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Storm water quality	\$ 132,825	\$ 132,825	\$ 133,992	\$ 1,167
Interest	28,080	22,000	19,445	(2,555)
Total revenues	160,905	154,825	153,437	(1,388)
EXPENDITURES				
Materials and services	130,000	130,000	58,908	71,092
Capital outlay	285,000	1,382,000	747,388	634,612
Contingency	470,881	15,351	-	15,351
Total expenditures	885,881	1,527,351	806,296	721,055
Excess of revenues over (under) expenditures	(724,976)	(1,372,526)	(652,859)	719,667
OTHER FINANCING SOURCES (USES)				
Transfers in	-	650,000	650,000	-
Transfers out	(211,030)	(11,030)	(11,030)	-
Total other financing sources (uses)	(211,030)	638,970	638,970	-
Excess of revenues and other sources over (under) expenditures and other uses	(936,006)	(733,556)	(13,889)	719,667
BEGINNING FUND BALANCE	936,006	733,556	733,548	(8)
ENDING FUND BALANCE	\$ -	\$ -	\$ 719,659	\$ 719,659

CITY OF TUALATIN
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
URBAN RENEWAL FUND

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ 6,092	\$ 6,092	\$ 11,486	\$ 5,394
Miscellaneous	-	-	(155)	(155)
Total revenues	6,092	6,092	11,331	5,239
EXPENDITURES				
Materials and services	267,330	274,397	218,762	55,635
Contingency	181,077	174,010	-	174,010
Total expenditures	448,407	448,407	218,762	229,645
Excess of revenues over (under) expenditures	(442,315)	(442,315)	(207,431)	234,884
OTHER FINANCING SOURCES (USES)				
Transfers in	406,020	406,020	406,020	-
Transfers out	(166,711)	(166,711)	(166,711)	-
Total other financing sources (uses)	239,309	239,309	239,309	-
Excess of revenues and other sources over (under) expenditures and other uses	(203,006)	(203,006)	31,878	234,884
BEGINNING FUND BALANCE	203,006	203,006	239,056	36,050
ENDING FUND BALANCE	\$ -	\$ -	\$ 270,934	\$ 270,934

CITY OF TUALATIN
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
GENERAL OBLIGATION BOND FUND

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes				
Current	\$ 527,438	\$ 527,438	\$ 515,641	\$ (11,797)
Prior	-	-	7,900	7,900
Interest	21,000	21,000	32,276	11,276
Total revenues	548,438	548,438	555,817	7,379
EXPENDITURES				
Materials and services	2,000	2,000	800	1,200
Debt service				-
Principal	285,000	285,000	285,000	-
Interest	381,924	381,924	363,434	18,490
Reserve funds	870,000	870,000	-	870,000
Total expenditures	1,538,924	1,538,924	649,234	889,690
Excess of revenues over (under) expenditures	(990,486)	(990,486)	(93,417)	897,069
BEGINNING FUND BALANCE	990,486	990,486	993,900	3,414
ENDING FUND BALANCE	\$ -	\$ -	\$ 900,483	\$ 900,483

**CITY OF TUALATIN
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
BANCROFT BOND FUND**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Assessment principal	\$ 87,036	\$ 87,036	\$ 87,057	\$ 21
Interest - assessments	38,510	38,510	36,675	(1,835)
Interest - investments	5,000	5,000	11,216	6,216
Total revenues	130,546	130,546	134,948	4,402
EXPENDITURES				
Materials and services	3,000	3,000	300	2,700
Debt service				
Principal	80,000	80,000	80,000	-
Interest	40,420	40,420	36,660	3,760
Bond reserves	285,868	285,868	-	285,868
Total expenditures	409,288	409,288	116,960	292,328
Excess of revenues over (under) expenditures	(278,742)	(278,742)	17,988	296,730
OTHER FINANCING SOURCES (USES)				
Transfers out	(8,305)	(8,305)	(8,305)	-
Excess of revenues and other sources over (under) expenditures and other uses	(287,047)	(287,047)	9,683	296,730
BEGINNING FUND BALANCE	287,047	287,047	292,748	5,701
ENDING FUND BALANCE	\$ -	\$ -	\$ 302,431	\$ 302,431

CITY OF TUALATIN
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
CENTRAL URBAN RENEWAL DISTRICT BOND SINKING FUND

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes				
Current	\$ 2,266,000	\$ 2,266,000	\$ 2,119,892	\$ (146,108)
Prior	20,000	20,000	43,799	23,799
Interest	15,874	15,874	104,503	88,629
Total revenues	2,301,874	2,301,874	2,268,194	(33,680)
EXPENDITURES				
Materials and services	10,509	10,509	5,265	5,244
Debt service				
Principal	430,000	430,000	430,000	-
Interest	47,495	47,495	46,036	1,459
Reserve funds	503,655	503,655	-	503,655
Total expenditures	991,659	991,659	481,301	510,358
Excess of revenues over (under) expenditures	1,310,215	1,310,215	1,786,893	476,678
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,821,000)	(1,821,000)	(1,821,000)	-
Excess of revenues and other sources over (under) expenditures and other uses	(510,785)	(510,785)	(34,107)	476,678
BEGINNING FUND BALANCE	510,785	510,785	659,423	148,638
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 625,316</u>	<u>\$ 625,316</u>

CITY OF TUALATIN
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
LEVETON TAX INCREMENT DISTRICT BOND SINKING FUND

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes				
Current	\$ 3,315,604	\$ 3,315,604	\$ 3,160,348	\$ (155,256)
Prior	13,400	13,400	59,636	46,236
Interest	53,687	53,687	145,935	92,248
Total revenues	3,382,691	3,382,691	3,365,919	(16,772)
EXPENDITURES				
Materials and services	10,251	10,251	7,600	2,651
Debt service				
Principal	760,000	760,000	760,000	-
Interest	111,263	111,263	109,822	1,441
Reserve funds	1,283,932	1,283,932	-	1,283,932
Total expenditures	2,165,446	2,165,446	877,422	1,288,024
Excess of revenues over (under) expenditures	1,217,245	1,217,245	2,488,497	1,271,252
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,988,483)	(2,988,483)	(2,988,483)	-
Excess of revenues and other sources over (under) expenditures and other uses	(1,771,238)	(1,771,238)	(499,986)	1,271,252
BEGINNING FUND BALANCE	1,771,238	1,771,238	1,964,100	192,862
ENDING FUND BALANCE	\$ -	\$ -	\$ 1,464,114	\$ 1,464,114

CITY OF TUALATIN
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
CAPITAL PROJECTS FUND

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ 13,345	\$ 13,345	\$ 16,697	\$ 3,352
EXPENDITURES				
Materials and services	55,000	55,000	-	55,000
Capital outlay	100,000	100,000	-	100,000
Contingency	297,402	297,402	-	297,402
Total expenditures	452,402	452,402	-	452,402
Excess of revenues over (under) expenditures	(439,057)	(439,057)	16,697	455,754
OTHER FINANCING SOURCES (USES)				
Transfers out	(5,770)	(5,770)	(5,770)	-
Excess of revenues and other sources over (under) expenditures and other uses	(444,827)	(444,827)	10,927	455,754
BEGINNING FUND BALANCE	444,827	444,827	442,655	(2,172)
ENDING FUND BALANCE	\$ -	\$ -	\$ 453,582	\$ 453,582

CITY OF TUALATIN
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
LIBRARY/PARKS IMPROVEMENT FUND

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ 17,000	\$ 17,000	\$ 55,786	\$ 38,786
Miscellaneous	-	-	200	200
Total revenues	17,000	17,000	55,986	38,986
EXPENDITURES				
Capital outlay	3,484,170	3,484,170	3,038,947	445,223
Contingency	47,550	47,550	-	47,550
Total expenditures	3,531,720	3,531,720	3,038,947	492,773
Excess of revenues over (under) expenditures	(3,514,720)	(3,514,720)	(2,982,961)	531,759
Excess of revenues and other sources over (under) expenditures and other uses	(3,514,720)	(3,514,720)	(2,982,961)	531,759
BEGINNING FUND BALANCE	3,514,720	3,514,720	3,379,200	(135,520)
ENDING FUND BALANCE	\$ -	\$ -	\$ 396,239	\$ 396,239

CITY OF TUALATIN
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
INFRASTRUCTURE FUND

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ 111,130	\$ 111,130	\$ 136,489	\$ 25,359
EXPENDITURES				
Reserves	4,508,236	3,658,236	-	3,658,236
Excess of revenues over (under) expenditures	(4,397,106)	(3,547,106)	136,489	3,683,595
OTHER FINANCING SOURCES (USES)				
Transfer in	710,280	510,280	110,280	(400,000)
Transfer out	(17,500)	(667,500)	(667,500)	-
Total other financing sources (uses)	692,780	(157,220)	(557,220)	(400,000)
Excess of revenues and other sources over (under) expenditures and other uses	(3,704,326)	(3,704,326)	(420,731)	3,283,595
BEGINNING FUND BALANCE	3,704,326	3,704,326	3,714,838	10,512
ENDING FUND BALANCE	\$ -	\$ -	\$ 3,294,107	\$ 3,294,107

CITY OF TUALATIN
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
CENTRAL URBAN RENEWAL DISTRICT PROJECTS FUND

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ 194,553	\$ 194,553	\$ 234,930	\$ 40,377
Miscellaneous	-	-	375,800	375,800
Total revenues	194,553	194,553	610,730	416,177
EXPENDITURES				
Materials and services	21,851	21,851	9,147	12,704
Capital outlay	5,753,391	5,753,391	4,456,657	1,296,734
Contingency	562,403	562,403	-	562,403
Reserve funds	2,194,017	2,194,017	-	2,194,017
Total expenditures	8,531,662	8,531,662	4,465,804	4,065,858
Excess of revenues over (under) expenditures	(8,337,109)	(8,337,109)	(3,855,074)	4,482,035
OTHER FINANCING SOURCES (USES)				
Transfers in	2,010,500	2,010,500	2,010,500	-
Transfers out	(392,307)	(392,307)	(324,710)	67,597
Total other financing sources (uses)	1,618,193	1,618,193	1,685,790	67,597
Excess of revenues and other sources over (under) expenditures and other uses	(6,718,916)	(6,718,916)	(2,169,284)	4,549,632
BEGINNING FUND BALANCE	6,718,916	6,718,916	8,103,077	1,384,161
ENDING FUND BALANCE	\$ -	\$ -	\$ 5,933,793	\$ 5,933,793

CITY OF TUALATIN
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
LEVETON TAX INCREMENT DISTRICT PROJECTS FUND

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ 162,646	\$ 162,646	\$ 247,586	\$ 84,940
Miscellaneous	4,850	4,850	3,761	(1,089)
Total revenues	167,496	167,496	251,347	83,851
EXPENDITURES				
Materials and services	10,303	10,303	78	10,225
Capital outlay	6,597,959	6,597,959	816,504	5,781,455
Contingency	453,000	453,000	-	453,000
Reserve funds	1,579,049	1,579,049	-	1,579,049
Total expenditures	8,640,311	8,640,311	816,582	7,823,729
Excess of revenues over (under) expenditures	(8,472,815)	(8,472,815)	(565,235)	7,907,580
OTHER FINANCING SOURCES (USES)				
Transfers in	2,988,483	2,988,483	2,988,483	-
Transfers out	(213,200)	(213,200)	(213,200)	-
Total other financing sources (uses)	2,775,283	2,775,283	2,775,283	-
Excess of revenues and other sources over (under) expenditures and other uses	(5,697,532)	(5,697,532)	2,210,048	7,907,580
BEGINNING FUND BALANCE	5,697,532	5,697,532	6,951,391	1,253,859
ENDING FUND BALANCE	\$ -	\$ -	\$ 9,161,439	\$ 9,161,439

This page intentionally left blank.

**SCHEDULE OF REVENUES AND EXPENDITURES
ACTUAL AND BUDGET (BUDGETARY BASIS)
PROPRIETARY FUNDS**

- * Water
- * Water SDC
- * Water Bond
- * Water Reservoir Project
- * Sewer
- * Sewer SDC

This page intentionally left blank.

CITY OF TUALATIN
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
WATER FUND

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Adjustments to GAAP Basis Actual	GAAP Basis Actual
	Original	Final				
REVENUES						
Usage charges	\$ 3,798,552	\$ 3,798,552	\$ 3,376,257	\$ (422,295)	\$ -	\$ 3,376,257
Facilities charge	409,824	409,824	428,006	18,182	-	428,006
Service charge	245,888	245,888	269,807	23,919	-	269,807
Fire service charge	116,642	116,642	116,467	(175)	-	116,467
Installation fees	30,450	30,450	118,372	87,922	-	118,372
Turn-on fees	2,575	2,575	2,200	(375)	-	2,200
Interest	24,615	24,615	64,421	39,806	-	64,421
Contributed assets	-	-	-	-	222,487	222,487
Miscellaneous	240,443	240,443	235,971	(4,472)	-	235,971
Total revenues	4,868,989	4,868,989	4,611,501	(257,488)	222,487	4,833,988
EXPENDITURES						
Personal, operations and engineering	-	-	-	-	1,454,412	1,454,412
Materials and services	2,319,312	2,349,312	2,158,006	191,306	9,907	2,167,913
Capital outlay	347,000	797,000	523,048	273,952	(523,048)	-
Depreciation	-	-	-	-	588,300	588,300
Contingency	953,297	923,297	-	923,297	-	-
Total expenditures	3,619,609	4,069,609	2,681,054	1,388,555	1,529,571	4,210,625
Excess of revenues over (under) expenditures	1,249,380	799,380	1,930,447	1,131,067	(1,307,084)	623,363
TRANSFERS						
Transfers in	-	-	-	-	5,102,689	5,102,689
Transfers out	(2,069,867)	(2,069,867)	(2,069,867)	-	(3,130,983)	(5,200,850)
Net transfers	(2,069,867)	(2,069,867)	(2,069,867)	-	1,971,706	(98,161)
Excess of revenues and transfers in over (under) expenses and transfers out	(820,487)	(1,270,487)	(139,420)	1,131,067	664,622	525,202
BEGINNING OF YEAR	820,487	1,270,487	1,438,765	168,278	21,127,897	22,566,662
END OF YEAR	\$ -	\$ -	\$ 1,299,345	\$ 1,299,345	\$ 21,792,519	\$ 23,091,864

CITY OF TUALATIN
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
WATER SDC FUND

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Adjustments to GAAP Basis Actual	GAAP Basis Actual
	Original	Final				
REVENUES						
System development fees	\$ 519,890	\$ 519,890	\$ 513,022	\$ (6,868)	\$ -	\$ 513,022
Interest	39,460	39,460	53,739	14,279	-	53,739
Total revenues	559,350	559,350	566,761	7,411	-	566,761
EXPENDITURES						
Personal, operations and engineering	-	-	-	-	10,550	10,550
Capital outlay	1,270,000	1,770,000	517,294	(1,252,706)	(517,294)	-
Contingency	194,145	194,145	-	(194,145)	-	-
Total expenditures	1,464,145	1,964,145	517,294	(1,446,851)	(506,744)	10,550
Excess of revenues over (under) expenses	(904,795)	(1,404,795)	49,467	1,454,262	506,744	556,211
TRANSFERS						
Transfers in	100,000	100,000	100,000	-	-	100,000
Transfers out	(510,550)	(10,550)	(10,550)	-	(506,744)	(517,294)
Net Transfers	(410,550)	89,450	89,450	-	(506,744)	(417,294)
Excess of revenues and transfers in over (under) expenses and transfers out	(1,315,345)	(1,315,345)	138,917	1,454,262	-	138,917
BEGINNING OF YEAR	1,315,345	1,315,345	1,348,073	32,728	-	1,348,073
END OF YEAR	\$ -	\$ -	\$ 1,486,990	\$ 1,486,990	\$ -	\$ 1,486,990

CITY OF TUALATIN
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
WATER BOND FUND

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Adjustments to GAAP Basis Actual	Adjustments to GAAP Basis Actual
	Original	Final				
REVENUES						
Interest	\$ -	\$ -	\$ 4,105	\$ 4,105	\$ -	4,105
Total revenues	-	-	4,105	4,105	-	4,105
EXPENDITURES						
Materials and services	2,000	2,000	225	1,775	-	225
Debt service						
Principal	240,000	240,000	-	240,000	-	-
Interest	273,455	273,455	169,496	103,959	(169,496)	-
Total expenditures	515,455	515,455	169,721	345,734	(169,496)	225
Excess of revenues over (under) expenditures	(515,455)	(515,455)	(165,616)	349,839	169,496	3,880
OTHER FINANCING SOURCES (USES)						
Transfers in	515,455	515,455	515,455	-	-	515,455
Excess of revenues and other sources over (under) expenditures and other uses	-	-	349,839	349,839	169,496	519,335
BEGINNING OF YEAR	-	-	-	-	-	-
END OF YEAR	\$ -	\$ -	\$ 349,839	\$ 349,839	\$ -	\$ 349,839

CITY OF TUALATIN
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
WATER RESERVOIR PROJECT FUND

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Adjustments to GAAP Basis Actual	GAAP Basis Actual
	Original	Final				
REVENUES						
Interest	\$ 400,000	\$ 400,000	\$ 236,788	\$ (163,212)	\$ -	\$ 236,788
EXPENDITURES						
Materials and services	435,000	435,000	73,131	361,869	92,360	165,491
Capital outlay	4,950,000	4,950,000	4,585,395	364,605	(4,585,395)	-
Contingency	4,950,000	4,950,000	-	4,950,000	-	-
Total expenditures	10,335,000	10,335,000	4,658,526	5,676,474	(4,493,035)	165,491
Excess of revenues over (under) expenditures	(9,935,000)	(9,935,000)	(4,421,738)	5,513,262	4,493,035	71,297
OTHER FINANCING SOURCES (USES)						
Issuance of debt	9,935,000	9,935,000	7,212,640	(2,722,360)	(7,212,640)	-
Excess of revenues and other sources over (under) expenditures and other uses	-	-	2,790,902	2,790,902	(2,719,605)	71,297
BEGINNING OF YEAR	-	-	-	-	-	-
END OF YEAR	\$ -	\$ -	\$ 2,790,902	\$ 2,790,902	\$ (2,719,605)	\$ 71,297

CITY OF TUALATIN
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
SEWER FUND

	Budgeted Amounts		Actual Amounts	Variance with	Adjustments to GAAP Basis Actual	GAAP Basis Actual
	Original	Final		Final Budget Favorable (Unfavorable)		
REVENUES						
Inspection fees	\$ 7,000	\$ 7,000	\$ 4,315	\$ (2,685)	\$ -	\$ 4,315
User charges	4,132,280	4,132,280	4,261,719	129,439	-	4,261,719
User charges not subject to CWS	254,775	254,775	229,757	(25,018)	-	229,757
Interest	57,477	57,477	60,253	2,776	-	60,253
Miscellaneous	150	150	460	-	-	460
Contributed assets	-	-	-	-	416,224	416,224
Total revenues	4,451,682	4,451,682	4,556,504	104,822	416,224	4,972,728
EXPENDITURES						
Personal, operations and engineering	-	-	-	-	665,351	665,351
Materials and services	3,718,245	3,718,245	3,706,342	11,903	-	3,706,342
Depreciation	-	-	-	-	461,348	461,348
Capital outlay	200,000	200,000	184,218	15,782	(184,218)	-
Contingency	1,683,980	1,683,980	-	1,683,980	-	-
Total expenditures	5,602,225	5,602,225	3,890,560	1,711,665	942,481	4,833,041
Excess of revenues over (under) expenditures	(1,150,543)	(1,150,543)	665,944	1,816,487	(526,257)	139,687
TRANSFERS						
Transfers in	-	-	-	-	6,816	6,816
Transfers out	(765,351)	(765,351)	(765,351)	-	665,351	(100,000)
Excess of revenues and transfers in over (under) expenses and transfers out	(1,915,894)	(1,915,894)	(99,407)	1,816,487	145,910	46,503
BEGINNING OF YEAR	1,915,894	1,915,894	1,583,933	(331,961)	17,048,369	18,632,302
END OF YEAR	\$ -	\$ -	\$ 1,484,526	\$ 1,484,526	\$17,194,279	\$18,678,805

CITY OF TUALATIN
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2006
SEWER SDC FUND

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Adjustments to GAAP Basis Actual	Adjustments to GAAP Basis Actual
	Original	Final				
REVENUES						
System development fees	\$ 633,750	\$ 633,750	\$ 692,709	\$ 58,959	-	\$ 692,709
Interest	90,520	90,520	112,119	21,599	-	112,119
Total revenues	724,270	724,270	804,828	80,558	-	804,828
EXPENDITURES						
Personal, operations and engineering	-	-	-	-	7,540	7,540
Material and services	507,000	507,000	520,012	(13,012)	-	520,012
Capital outlay	250,000	250,000	6,816	243,184	(6,816)	-
Contingency	2,977,066	2,977,066	-	2,977,066	-	-
Total expenditures	3,734,066	3,734,066	526,828	3,207,238	724	527,552
Excess of revenues over (under) expenses	(3,009,796)	(3,009,796)	278,000	3,287,796	(724)	277,276
TRANSFERS						
Transfers out	(7,540)	(7,540)	(7,540)	-	724	(6,816.00)
Excess of revenues and transfers in over (under) expenses transfers out	(3,017,336)	(3,017,336)	270,460	3,287,796	-	270,460
BEGINNING OF YEAR	3,017,336	3,017,336	2,904,300	(113,036)	-	2,904,300
END OF YEAR	\$ -	\$ -	\$ 3,174,760	\$ 3,174,760	\$ -	\$ 3,174,760

OTHER FINANCIAL SCHEDULES

This page intentionally left blank.

CITY OF TUALATIN

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES OF TAXES UNCOLLECTED
YEAR ENDED JUNE 30, 2006

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED JULY 1, 2005	DEDUCT DISCOUNTS	ADJUSTMENTS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED JUNE 30, 2006
ALL FUNDS						
Current:						
2005-2006	\$ 5,564,513	\$ (140,491)	\$ (24,808)	\$ 2,138	\$ (5,291,445)	\$ 109,907
Prior years:						
2004-2005	107,151	191	(3,848)	5,041	(82,374)	26,161
2003-2004	30,167	19	(1,776)	2,917	(18,630)	12,697
2002-2003	14,486	21	(1,252)	2,486	(10,416)	5,325
2001-2002	6,396	18	(1,240)	1,525	(4,917)	1,782
Prior	4,594	11	(1,069)	(609)	(68)	2,859
	<u>162,794</u>	<u>260</u>	<u>(9,185)</u>	<u>11,360</u>	<u>(116,405)</u>	<u>48,824</u>
	<u>\$ 5,727,307</u>	<u>\$ (140,231)</u>	<u>\$ (33,993)</u>	<u>\$ 13,498</u>	<u>\$ (5,407,850)</u>	<u>158,730</u>
Cash with County						<u>23,484</u>
Tax receivable						<u>\$ 182,214</u>
Property taxes receivable:						
General Fund				\$ 147,822	\$ 21,870	\$ 169,692
General Obligation Bond Fund				<u>10,908</u>	<u>1,614</u>	<u>12,522</u>
				<u>\$ 158,730</u>	<u>\$ 23,484</u>	<u>\$ 182,214</u>

**TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY OF TUALATIN
SCHEDULE OF PROPERTY TAX TRANSACTION AND BALANCES OF TAXES UNCOLLECTED
YEAR ENDED JUNE 30, 2006**

<u>TAX YEAR</u>	<u>ORIGINAL LEVY OR BALANCE UNCOLLECTED JULY 1, 2005</u>	<u>DEDUCT DISCOUNTS</u>	<u>ADJUSTMENTS</u>	<u>ADD INTEREST</u>	<u>CASH COLLECTIONS BY COUNTY TREASURER</u>	<u>BALANCE UNCOLLECTED OR UNSEGREGATED JUNE 30, 2006</u>
ALL FUNDS						
Current:						
2005-2006	\$ 5,556,927	\$ (140,577)	\$ (25,517)	\$ 2,116	\$ (5,284,523)	\$ 108,426
Prior years:						
2004-2005	125,862	233	(4,066)	5,998	97,603	225,630
2003-2004	35,884	22	(1,809)	3,538	22,607	60,242
2002-2003	12,220	17	(823)	2,165	9,141	22,720
2001-2002	4,592	13	(467)	1,216	4,149	9,503
2000-2001 and Prior	2,866	2	(948)	310	398	2,628
	<u>181,424</u>	<u>287</u>	<u>(8,112)</u>	<u>13,226</u>	<u>133,898</u>	<u>320,723</u>
	<u>\$ 5,738,351</u>	<u>\$ (140,290)</u>	<u>\$ (33,629)</u>	<u>\$ 15,342</u>	<u>\$ (5,150,625)</u>	<u>429,148</u>
Cash with County						23,397
Tax receivable						<u>\$ 452,545</u>
Uncollected Taxes:						
Central Urban Renewal District Bond Sinking Fund				\$ 65,943	\$ 9,562	\$ 75,506
Leveton Tax Increment District Bond Sinking Fund				95,408	13,835	109,243
				<u>\$ 161,351</u>	<u>\$ 23,397</u>	<u>\$ 184,749</u>

STATISTICAL SECTION

- * Net Assets by Components
- * Changes in Net Assets
- * Fund Balances, Governmental Funds
- * Changes in Fund Balances, Governmental Funds
- * Tax Revenue by Source, Governmental Funds
- * Assessed and Estimated Value of Taxable Property
- * Property Tax Rates - All Direct and Overlapping Governments
- * Principal Taxpayers for Washington and Clackamas Counties
- * Property Tax Levies and Collections
- * Bonded Debt per Capita
- * Computation of Overlapping General Obligation Debt
- * Computation of Legal Debt Margins
- * Principal Employers - Current and Nine Years Ago
- * Schedule of Pledged Revenue Bond Coverage
- * Full-time Equivalent City Employees by Function
- * Operating Indicators
- * Capital Asset Statistics by Function

This page intentionally left blank.

CITY OF TUALATIN
NET ASSETS BY COMPONENT
LAST THREE FISCAL YEARS
JUNE 30, 2006

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities			
Invested in capital assets (net of related debt)	\$ 70,232,775	\$ 71,044,473	\$ 83,109,505
Restricted for special purposes	25,302,554	31,784,105	27,135,766
Unrestricted	7,553,836	7,504,552	8,324,105
Total governmental activities net assets	<u>\$ 103,089,165</u>	<u>\$ 110,333,130</u>	<u>\$ 118,569,376</u>
Business-type activities			
Invested in capital assets (net of related debt)	35,943,859	37,851,884	35,942,810
Restricted for special purposes	-	4,385,063	4,661,750
Unrestricted	7,821,936	2,890,010	6,248,995
Total business-type activities net assets	<u>\$ 43,765,795</u>	<u>\$ 45,126,957</u>	<u>\$ 46,853,555</u>
Primary government			
Invested in capital assets (net of related debt)	106,176,634	108,896,357	121,771,920
Restricted for special purposes	25,302,554	36,169,168	31,797,516
Unrestricted	15,375,772	10,394,562	11,853,495
Total primary government net assets	<u>\$ 146,854,960</u>	<u>\$ 155,460,087</u>	<u>\$ 165,422,931</u>

Source: Current and prior CAFR's

CITY OF TUALATIN
CHANGES IN NET ASSETS
LAST THREE FISCAL YEARS
JUNE 30, 2006

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Expenses			
Governmental activities:			
General government	\$ 5,231,830	\$ 6,633,054	\$ 7,372,433
Public safety	3,938,333	4,255,099	4,614,719
Highways and streets	2,154,320	1,979,000	1,622,815
Culture and recreation	2,427,929	1,322,674	1,502,076
Interest on long-term debt	506,419	422,180	2,382,698
Unallocated depreciation	129,475	126,432	123,973
Total governmental activities expenses	<u>14,388,306</u>	<u>14,738,439</u>	<u>17,618,714</u>
Business-type activities:			
Water	2,572,652	4,233,678	4,386,891
Sewer	4,036,193	5,493,671	5,360,593
Total business-type activities expenses	<u>6,608,845</u>	<u>9,727,349</u>	<u>9,747,484</u>
Total expenses	<u>\$ 20,997,151</u>	<u>\$ 24,465,788</u>	<u>\$ 27,366,198</u>
Program revenues			
Governmental activities:			
Charges for services	\$ 6,681,995	\$ 5,980,446	\$ 8,906,643
Operating grants and contributions	34,957	67,857	89,616
Capital grants and contributions	1,662,029	1,948,857	2,374,411
Total governmental activities program revenues	<u>8,378,981</u>	<u>7,997,160</u>	<u>11,370,670</u>
Business-type activities:			
Charges for services	9,598,733	8,370,543	9,043,331
Capital grants and contributions	905,636	3,758,798	1,844,442
Total business-type activities program revenues	<u>10,504,369</u>	<u>12,129,341</u>	<u>10,887,773</u>
Total program revenues	<u>\$ 18,883,350</u>	<u>\$ 20,126,501</u>	<u>\$ 22,258,443</u>
Net (expense)/revenue			
Governmental activities	\$ (6,009,325)	\$ (6,741,279)	\$ (6,248,044)
Business-type activities	<u>3,895,524</u>	<u>2,401,992</u>	<u>1,140,289</u>
Total net expenses	<u>\$ (2,113,801)</u>	<u>\$ (4,339,287)</u>	<u>\$ (5,107,755)</u>

Continued next page

CITY OF TUALATIN
CHANGES IN NET ASSETS (Continued)
LAST THREE FISCAL YEARS
JUNE 30, 2006

	<u>2004</u>	<u>2005</u>	<u>2006</u>
General revenues and other changes in net assets			
Governmental activities:			
Taxes and assessments	\$ 9,598,691	\$ 10,078,180	\$ 10,812,528
Licenses and permits	1,714,231	1,828,503	2,014,126
Miscellaneous	454,292	878,561	1,557,636
Transfers	2,165,130	1,200,000	100,000
Total governmental activities	13,932,344	13,985,244	14,484,290
Business-type activities:			
Miscellaneous	109,979	159,170	361,929
Transfers	(2,165,130)	(1,200,000)	(100,000)
Total business-type activities	(2,055,151)	(1,040,830)	261,929
Total	\$ 11,877,193	\$ 12,944,414	\$ 14,746,219
Change in net assets			
Governmental activities	\$ 7,923,019	\$ 7,243,965	\$ 8,236,246
Business-type activities	1,840,373	1,361,162	1,402,218
Total	\$ 9,763,392	\$ 8,605,127	\$ 9,638,464

Source: Current and prior CAFR's

CITY OF TUALATIN
 FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 JUNE 30, 2006

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General fund										
Reserved	\$ 539	\$ 63,416	\$ 84,585	\$ 79,810	\$ 54,357	\$ -	\$ -	\$ -	\$ -	\$ 65,617
Unreserved	2,172,292	2,649,540	3,170,942	3,694,217	4,015,194	4,235,407	4,495,830	4,409,043	4,497,524	5,125,815
Total general fund	\$ 2,172,831	\$ 2,712,956	\$ 3,255,527	\$ 3,774,027	\$ 4,069,551	\$ 4,235,407	\$ 4,495,830	\$ 4,409,043	\$ 4,497,524	\$ 5,191,432
All other governmental funds										
Reserved	\$ 237,019	\$ 93,379	\$ 187,382	\$ 203,817	\$ 139,889	\$ 97,419	\$ 107,080	\$ 103,515	\$ 97,844	\$ 92,898
Unreserved, reported in:										
Special revenue funds	6,647,559	5,976,425	6,644,759	6,943,249	8,061,376	8,749,450	7,770,121	7,282,602	7,413,565	7,644,037
Capital projects funds	6,063,446	5,116,090	9,761,166	5,997,111	7,569,258	8,635,817	14,361,838	15,035,687	22,942,560	19,239,160
Debt service funds	7,545,130	8,698,211	7,055,030	4,453,393	3,562,681	3,793,857	6,007,795	5,041,998	3,910,171	3,292,344
Total all other governmental funds	\$ 20,493,154	\$ 19,884,105	\$ 23,648,337	\$ 17,597,570	\$ 19,333,204	\$ 21,276,543	\$ 28,246,834	\$ 27,463,802	\$ 34,364,140	\$ 30,268,439

Source: Current and prior CAFR's

CITY OF TUALATIN
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST THREE FISCAL YEARS
JUNE 30, 2006

	2004	2005	2006
REVENUES			
Taxes and assessments	\$ 10,138,379	\$ 10,567,468	\$ 10,885,890
Licenses and permits	1,696,974	1,827,209	2,466,535
Intergovernmental	3,714,543	2,786,052	3,253,950
Franchise fees	2,353,626	1,828,503	2,014,126
Charges for services	1,498,171	2,504,675	2,795,048
Fines and forfeitures	436,835	169,465	170,315
Miscellaneous	429,355	1,213,920	2,854,334
Total revenues	<u>20,267,883</u>	<u>20,897,292</u>	<u>24,440,198</u>
EXPENDITURES			
Current operating:			
General government	7,248,525	6,523,259	7,213,176
Public safety	3,728,033	4,044,373	4,427,287
Highways and streets	350,724	249,943	277,299
Culture and recreation	2,124,059	1,039,039	1,220,536
Capital outlay	9,188,096	5,436,529	12,672,121
Debt service			
Interest	506,419	422,180	2,382,696
Principal	5,973,640	6,937,435	4,558,359
Reserves	548,961	-	-
Total expenditures	<u>29,668,457</u>	<u>24,652,758</u>	<u>32,751,474</u>
REVENUES OVER (UNDER)			
EXPENDITURES	(9,400,574)	(3,755,466)	(8,311,276)
OTHER FINANCING SOURCES (USES)			
Transfers in	5,185,064	4,409,247	3,920,381
Transfers out	(3,019,934)	(3,209,247)	(3,820,381)
Bond proceeds	5,947,625	9,085,371	4,809,483
Loan proceeds	418,000	458,920	-
Total other financing sources (uses)	<u>8,530,755</u>	<u>10,744,291</u>	<u>4,909,483</u>
NET CHANGE IN FUND BALANCES	<u>\$ (869,819)</u>	<u>\$ 6,988,825</u>	<u>\$ (3,401,793)</u>
Debt service as a percentage of noncapital expenditures	<u>48.17%</u>	<u>62.07%</u>	<u>52.83%</u>

Source: Current and prior CAFR's

CITY OF TUALATIN
TAX REVENUE BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
JUNE 30, 2006

<u>Fiscal Year</u>	<u>Property</u> ¹	<u>Special Assessments</u> ²	<u>Total</u>
1997	\$ 6,665,479	\$ 80,926	\$ 6,746,405
1998	6,948,855	80,462	7,029,317
1999	6,917,662	1,267,327	8,184,989
2000	7,759,369	99,797	7,859,166
2001	7,964,095	91,664	8,055,759
2002	8,249,015	97,384	8,346,399
2003	8,047,150	45,857	8,093,007
2004	9,989,298	90,033	10,079,331
2005	10,421,824	131,047	10,552,871
2006	11,214,234	123,731	11,337,964
 Change 1997-2006	 68.2%	 52.9%	 68.1%

¹ Includes current and prior property tax revenue and interest earned; deducts write offs for general property taxes and tax increment revenues.

² Special assessment billings are for local improvement district assessments which are paid to the City by the benefited property owners over a ten to fifteen year period.

CITY OF TUALATIN
ASSESSED AND ESTIMATED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
JUNE 30, 2006

Fiscal Year Ended June 30,	Real Property		Personal Property*		Public Utility Property		Total		Ratio of Total Assessed to Total Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
1997	\$ 1,348,684,636	\$ 1,348,684,636	\$ 88,427,731	\$ 88,427,731	\$ 34,587,553	\$ 34,587,553	\$ 1,471,699,920	\$ 1,471,699,920	100%
1998	1,203,572,631	1,203,572,631	82,879,383	82,879,383	32,793,486	32,793,486	1,319,245,500	1,319,245,500	100%
1999	1,431,638,192	1,805,293,222	100,615,498	103,340,664	39,887,933	44,535,163	1,572,141,623	1,953,169,049	80%
2000	1,552,662,162	2,024,876,429	126,113,436	130,973,385	47,298,549	51,448,405	1,726,074,147	2,207,298,219	78%
2001	1,654,698,415	2,185,266,947	144,561,051	148,625,782	55,348,650	68,415,740	1,854,608,116	2,402,308,469	77%
2002	1,766,058,040	2,352,560,606	136,668,191	138,878,692	59,749,964	61,179,114	1,962,476,195	2,552,618,412	77%
2003	1,873,463,727	2,486,698,778	149,199,919	149,480,208	56,019,551	56,073,626	2,078,683,197	2,692,252,612	77%
2004	2,102,847,063	2,743,758,308	149,097,494	151,377,151	58,094,721	59,323,563	2,310,039,278	2,954,459,022	78%
2005	2,224,264,234	2,920,393,731	150,690,649	153,578,741	58,423,990	60,223,328	2,433,378,873	3,134,195,800	78%
2006	2,389,116,066	3,282,945,576	152,327,937	155,450,518	60,322,100	62,292,124	2,601,766,103	3,500,688,218	74%

* Tax limitation Measure 50 results in a larger difference between market assessed value than were reportable in previous years.

** Assessed value includes assessed value in the Urban Renewal Area.

Source: Washington County and Clackamas County Assessors

CITY OF TUALATIN
PROPERTY TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
JUNE 30, 2006

DOLLARS PER \$1,000 ASSESSED VALUE

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
City of Tualatin:										
General Government	\$ 1.83	\$ 2.27	\$ 2.27	\$ 2.27	\$ 2.27	\$ 2.27	\$ 1.99	\$ 1.90	\$ 1.91	\$ 1.92
G.O. Bond	0.77	1.12	0.73	0.89	0.63	0.48	0.11	0.10	0.09	0.21
Total City	2.60	3.39	3.00	3.16	2.90	2.75	2.10	2.00	2.00	2.13
OVERLAPPING RATES:										
Washington County										
Washington County	2.24	2.60	2.56	2.54	2.53	2.96	2.51	2.37	2.36	2.35
School District										
Washington County ESD*	0.12	0.14	0.15	0.14	0.12	0.12	0.12	0.12	0.13	0.11
Portland Community College	0.32	0.34	0.35	0.34	0.31	0.49	0.40	0.40	0.40	0.38
Tigard-Tualatin School District #23J	5.92	6.20	6.65	5.91	5.91	5.71	6.47	6.39	6.31	6.39
Special District										
Clean Water Services	0.05	-	-	-	-	-	-	-	-	-
Tualatin Valley Fire & Rescue	1.38	1.53	1.53	1.56	1.59	1.83	1.60	1.54	1.54	1.58
Port of Portland	0.08	0.07	0.08	0.08	0.07	0.07	0.06	0.06	0.06	0.06
Metro Service District	0.26	0.39	0.36	0.33	0.34	0.32	0.25	0.24	0.24	0.24
Tri-Met Transport District	0.11	0.16	0.15	0.14	0.13	0.14	0.10	0.09	0.09	0.10
Urban Renewal - Tualatin	1.49	0.05	0.12	0.04	-	-	1.79	2.48	2.40	2.13
Total Overlapping	11.97	11.48	11.95	11.08	11.00	11.64	13.30	13.69	13.53	13.34
TOTAL \$	14.57	14.87	14.95	14.24	13.90	14.39	15.40	15.69	15.53	15.47

These rates are based on the tax code area of Tualatin which has the highest percentage of the City's Assessed Value (Tax Code 23.76). Rates within the City differ somewhat according to the other tax code categories which apply.

Source: Washington and Clackamas Counties

CITY OF TUALATIN

PRINCIPAL TAXPAYERS FOR WASHINGTON COUNTY & CLACKAMAS COUNTY

CURRENT YEAR AND NINE YEARS AGO

JUNE 30, 2006

Taxpayer	2006			1997		
	Assessed Value	Rank	% of Total City Taxable Assessed Value	Assessed Value	Rank	% of Total City Taxable Assessed Value
Novellus Systems, Inc	\$ 124,255,920	1	4.78%			
BV Centercal LLC	43,245,980	2	1.66%			
JAE Oregon, Inc	27,645,430	3	1.06%			
Riggs Bank NA	21,461,120	4	0.82%			
Zian Limited Partnership	21,399,590	5	0.82%			
Simpson Finance LP	21,281,420	6	0.82%	\$ 19,666,580	1	1.34%
Monadnock Property Trust LLC	21,258,780	7	0.82%			
Fujimi Corporation	21,188,780	8	0.81%			
Legacy Health System	18,732,416	9	0.72%	16,701,500	3	1.13%
Verizon Northwest Inc	18,193,200	10	0.70%			
Simpson Financing Limited				17,066,760	2	1.16%
Brel South Center				14,762,500	4	1.00%
First Republic Bank-Dallas				14,540,490	5	0.99%
OKI America, Inc.				14,384,530	6	0.98%
Mittleman Properties				13,369,890	7	0.91%
Puget Plastics Corporation				12,907,910	8	0.88%
American Apartment Communities				11,263,940	9	0.77%
Tualatin Property Investors LTD				10,464,420	10	0.71%
	<u>\$214,406,716</u>		<u>8.24%</u>	<u>\$ 145,128,520</u>		<u>9.86%</u>

¹ Source: Washington and Clackamas County Assessor's records

² 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.

Assessed valued for the City of Tualatin and the Tualatin Development Commission equals \$2,601,766,103. For the City of Tualatin the permanent rate of \$2.26 per \$1,000 assessed value is applied after the excess value is subtracted, making the City's assessed value equals \$2,208,602,936. The estimate actual value for the City is \$3,500,710,484. Principal Taxpayers are based on the City's assessed value without Urban Renewal.

CITY OF TUALATIN
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
JUNE 30, 2006

Fiscal Year	Total Tax Levy	Collected in year of Levy		Collected in subsequent years	Total collections to date	
		Amount	Percent of Levy		Amount	Percent of Levy
1997	\$ 6,834,365	\$ 6,467,149	94.63%	\$ 188,583	\$ 6,655,732	97.39%
1998	7,116,067	6,752,733	94.89%	213,097	6,965,830	97.89%
1999	7,131,660	6,710,105	94.09%	226,834	6,936,939	97.27%
2000	8,073,949	7,534,500	93.32%	262,177	7,796,677	96.57%
2001	8,183,626	7,728,299	94.44%	223,035	7,951,334	97.16%
2002	8,485,459	8,017,740	94.49%	221,081	8,238,821	97.09%
2003	8,258,906	7,798,636	94.43%	189,410	7,988,046	96.72%
2004	10,344,696	9,773,994	94.48%	200,257	9,974,251	96.42%
2005	10,684,835	10,138,855	94.89%	126,004	10,264,859	96.07%
2006	11,121,440	10,575,968	95.10%	-	10,575,968	95.10%

Source: Washington County and Clackamas County Assessors

**CITY OF TUALATIN
 BONDED DEBT PER CAPITA
 LAST TEN FISCAL YEARS
 JUNE 30, 2006**

Fiscal Year	Governmental Activities				Business-type Activities	Total Primary Government	Percentage of Personal Income ¹	Per Capita
	General Obligation Bonds	Special Assessment Bonds	Limited Tax Bonds	Urban Renewal Agency Bonds	Water Revenue Bonds			
1997	\$5,715,000	\$ 205,000	\$ -	\$9,385,000	\$ -	\$ 15,305,000		\$ 750.06
1998	4,455,000	175,000	2,460,000	8,660,000	-	15,750,000		735.81
1999	7,735,000	150,000	2,460,000	4,715,000	-	15,060,000		705.55
2000	6,655,000	125,000	1,100,000	3,955,000	-	11,835,000		513.12
2001	5,555,000	100,000	1,020,000	3,165,000	-	9,840,000		422.86
2002	4,455,000	75,000	940,000	2,355,000	-	7,825,000		324.69
2003	4,270,000	50,000	940,000	6,675,000	-	11,935,000		481.44
2004	4,080,000	25,000	860,000	6,600,000	-	11,565,000		463.71
2005	7,665,000	-	780,000	5,440,000	-	13,885,000		545.28
2006	7,380,000	-	700,000	1,225,000	7,305,000	16,610,000		648.98

Note: Details regarding the City's outstanding debt can be found in the notes to the basic financial statements.

¹ Data not available

Source: Current and previous CAFR's

CITY OF TUALATIN

COMPUTATION OF OVERLAPPING GENERAL OBLIGATION DEBT

JUNE 30, 2006

Jurisdiction	General Obligation Debt Outstanding	Percent Applicable Inside City of Tualatin	Amount Applicable Inside City of Tualatin
City of Tualatin	\$ 8,320,000	100.0000%	\$ 8,320,000
Clackamas County	-	1.0460%	-
Clackamas County District 3J (West Linn/Wilsonville)	134,972,238	1.3683%	1,846,825
Clackamas County School District 7J (Lake Oswego)	79,215,000	1.4991%	1,187,512
Clackamas Community College	45,780,000	1.1850%	542,493
Metro	113,842,201	2.2197%	2,526,955
Tri-Met	77,420,000	2.2330%	1,728,789
Portland Community College	73,895,000	2.5367%	1,874,494
Washington County	48,595,000	5.8471%	2,841,398
Tualatin Valley Fire and Rescue District	4,130,000	7.4153%	306,252
Washington County School District 23J (Tigard-Tualatin)	113,710,000	30.2468%	34,393,636
Washington County School District 88J (Sherwood)	39,280,000	11.9087%	4,677,737
			<u><u>\$ 60,246,091</u></u>

Overlapping debt percentage is determined by the percentage of assessed value of the overlapping district that is within the City limits of Tualatin applied.

Source: Municipal Debt Management, State of Oregon

*The percentage of the City of Tualatin in Clackamas County is very small, as is the property-tax backed debt, and produces an immaterial amount.

CITY OF TUALATIN
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2006

ORS 287.004 provides a debt limit of 3% of true cash value of all taxable property within the City boundaries:

True Cash Value	\$ 2,709,330,486
Rate	<u>x 3%</u>
Debt limit	81,279,915
Debt applicable to limit	<u>6,479,517</u>
Legal debt margin	<u><u>\$ 74,800,398</u></u>

Fiscal year ended June 30,	Debt Margin as a Percentage of Debt Limit	Debt limit	Debt applicable to limit	Legal debt margin
1997	87.87%	\$ 44,150,998	\$ 5,356,569	\$ 38,794,429
1998	93.38%	44,809,752	2,967,448	41,842,304
1999	87.84%	58,595,071	7,124,315	51,470,756
2000	90.71%	66,218,947	6,150,512	60,068,435
2001	92.35%	66,560,442	5,090,648	61,469,794
2002	94.40%	76,578,553	4,290,108	72,288,445
2003	94.96%	62,360,496	3,146,054	59,214,442
2004	95.74%	69,301,178	2,950,913	66,350,265
2005	90.86%	73,001,366	6,671,100	66,330,266
2006	92.03%	81,279,915	6,479,517	74,800,398

Cash value stated above is equal to that value which is "taxable assessed value" as defined by Oregon law. This value is not the same value as market value, but is the value used for levy purposes.

Source: Current and previous CAFR's

**CITY OF TUALATIN
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
JUNE 30, 2006**

Employer	2006			1997		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Legacy Meridian Park Hospital	823	1	4.93%	600	1	n/a
United Parcel Service	512	2	3.06%			
GE Security	500	3	2.99%			
Tigard-Tualatin School District	412	4	2.47%	339	4	n/a
Novellus Systems, Inc.	400	5	2.39%			
Portland General Electric	335	6	2.00%			
DPI Northwest	300	7	1.80%			
Milgard Windows	275	8	1.65%			
Fred Meyer	273	9	1.63%	330	5	n/a
Cyberrep of Oregon Inc.	250	10	1.50%			
Sentrol				375	2	n/a
Puget Plastics				350	3	n/a
Delta Engineering & Manufacturing Company				220	6	n/a
Colonial Pacific Leasing Corporation				205	7	n/a
United Parcel Service				200	8	n/a
Safeway Inc				174	9	n/a
Pierce Pacific Mfg., Inc.				170	10	n/a
	3,333			1,314		

Information derived from 2006 Business License data provided to the City of Tualatin.

CITY OF TUALATIN
SCHEDULE OF PLEDGED REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS
JUNE 30, 2006

GENERAL OBLIGATION BONDS

Fiscal Year Ended June 30,	Gross Revenue	Expenditures	Net Revenue Available for Debt Service	Debt Service Requirements			Percent Coverage
				Principal	Interest	Total	
1997		\$ 1,294,900	\$ (1,294,900)	\$ 653,886	\$ 616,013	\$ 1,269,899	-101.97%
1998		1,269,900	(1,269,900)	548,054	641,946	1,190,000	-106.71%
1999		1,254,400	(1,254,400)	165,000	209,570	374,570	-334.89%
2000		1,437,325	(1,437,325)	170,000	203,465	373,465	-384.86%
2001		1,372,840	(1,372,840)	1,100,000	231,675	1,331,675	-103.09%
2002		1,100,000	(1,100,000)	185,000	190,515	375,515	-292.93%
2003			-	190,000	183,670	373,670	0.00%
2004			-	200,000	176,450	376,450	0.00%
2005			-	285,000	363,434	648,434	0.00%
2006			-				

URBAN RENEWAL BONDS

Fiscal Year Ended June 30,	Gross Revenue	Expenditures	Net Revenue Available for Debt Service	Debt Service Requirements			Percent Coverage
				Principal	Interest	Total	
1997		\$ 2,082,844	\$ (2,082,844)	\$ 817,430	\$ 677,770	\$ 1,495,200	-139.30%
1998		1,164,046	(1,164,046)	1,120,462	862,138	1,982,600	-58.71%
1999		4,365,633	(4,365,633)	518,418	469,732	988,150	-441.80%
2000		988,150	(988,150)	532,332	465,449	997,781	-99.03%
2001		1,470,627	(1,470,627)	537,188	457,305	994,493	-147.88%
2002			-	380,000	204,003	584,003	0.00%
2003			-	1,025,000	317,650	1,342,650	0.00%
2004			-	1,160,000	227,087	1,387,087	0.00%
2005			-	1,190,000	193,838	1,383,838	0.00%
2006							

SPECIAL ASSESSMENT BONDS

Fiscal Year Ended June 30,	Assessment Principal Collections	Debt Service Requirements			Percent Coverage
		Principal	Interest	Total	
1997	\$ -	\$ 30,000	\$ 12,223	\$ 42,223	0.00%
1998	92,043	25,000	10,525	35,525	259.09%
1999	1,266,942	25,000	67,560	92,560	1368.78%
2000	84,142	25,000	58,711	83,711	100.51%
2001	107,450	25,000	53,364	78,364	137.12%
2002	97,385	25,000	3,836	28,836	337.72%
2003	89,376	25,000	2,249	27,249	328.00%
2004	90,033	25,000	2,438	27,438	328.13%
2005	87,036	25,000	813	25,813	337.18%
2006	87,036	-	-	-	0.00%

As of June 30, 2006, only two parcels had assessments. In 1997 the only outstanding assessment had been previously paid. In 1999 of the four land parcels outstanding, two were redeemed in full.

CITY OF TUALATIN
FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS
JUNE 30, 2006

Function	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General government	33.3	31.8	32.5	33.5	33.5	34.3	33.8	31.8	31.9	32.4
Public safety	31.0	31.5	33.5	34.5	35.0	35.8	36.8	38.8	40.6	42.6
Highways and streets	17.5	18.5	18.5	18.5	18.5	18.5	19.0	19.75	19.75	20.5
Culture and recreation	20.0	18.5	21.0	21.5	22.8	23.3	24.3	24.0	24.0	24.3
Sewer	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Water	6.0	6.0	6.0	6.0	6.0	6.0	6.0	5.0	5.0	5.0
Total	110.250	108.75	114.0	116.5	118.25	120.25	122.25	121.75	123.75	127.25

Data from current and previous budgets

CITY OF TUALATIN
OPERATING INDICATORS
LAST TEN FISCAL YEARS
JUNE 30, 2006

Function	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Police										
Arrests	679	717	626	805	854	934	1,048	1,184	1,038	1,039
Traffic violations	n/a	n/a	n/a	2,160	2,249	2,724	3,057	2,765	2,316	2,810
*Municipal Court cases	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Building activity										
Permits issued	382	394	370	675	449	216	164	503	673	1,691
Estimated value (000's)	\$ 60,949	\$ 58,966	\$ 63,509	\$ 61,775	\$ 86,227	\$ 84,434	\$ 54,571	\$ 95,351	\$ 117,949	\$ 80,107
Planning applications	225	215	248	233	216	239	217	178	314	128
Library circulation	214,784	224,529	215,000	183,204	251,851	317,273	359,773	367,701	394,995	427,222
Miles of streets maintained	56	57	59	60	63	65	65	67	76	76
Water connections										
	5,084	5,197	5,287	5,361	5,564	5,725	6,032	6,200	6,408	6,500
Sewer connections	4,861	4,974	4,974	4,974	5,263	5,480	5,738	5,900	6,408	6,192

n/a = information not available

*Several years ago the City of Tualatin decided to disband its Municipal Court. Felonies are tried by the county in which the alleged crime occurs. A negligible number of offenses, primarily parking violations, are tried in Municipal Court.

Data acquired from various City of Tualatin departments.

CITY OF TUALATIN
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS
JUNE 30, 2006

Function	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Public safety										
Patrol units	14	14	14	14	15	16	16	18	18	18
Officers	26	26	28	29	29	30	30	32	32	35
Highways and streets										
	56	57	59	60	63	65	65	67	76	76
Culture and recreation										
Number of parks	11	11	11	11	11	11	11	11	11	11
Acreage	101	115	115	262	270	272	276	289	289	284
*Sewage disposal										
Max daily capacity	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Water										
Max daily capacity	10.8	10.8	10.8	10.8	10.8	10.8	10.8	10.8	10.8	10.8
Fire hydrants	865	865	865	865	865	865	865	876	903	931

*Sewage treatment for The City of Tualatin is provided by Clean Water Services (CWS) of Washington County. For a small portion of the City (east of I-5 and north of the Tualatin River) the service is provided by City of Lake Oswego.

CITY OF TUALATIN, OREGON

AUDITOR'S COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

YEAR ENDED JUNE 30, 2006

STATE OF OREGON COMPLIANCE SECTION

Oregon Administrative Rules 162-10-050 through 162-10-320 incorporate the Minimum Standards for Audits of Oregon Municipal Corporations. These standards, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required statements and schedules are set forth in the preceding sections of this report. Required comments and disclosures related to our audit of such statements and schedules are set forth following.

Significant Accounting Policies

The significant accounting policies followed in preparing the City's financial statements are summarized in the notes to the basic financial statements.

Organization and Fund Structure

The organization and fund structure of the City is documented in the notes to the basic financial statements.

Internal Accounting Control

We have audited the basic financial statements of the City of Tualatin as of and for the year ended June 30, 2006, and have issued our report thereon dated October 19, 2006. As part of our audit, we made a study and evaluation of accounting systems and controls as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the City's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control of the City taken as a whole. However, our study and evaluation disclosed no condition that we believe to be a material weakness. We did issue to management our separate letter of comments and recommendations dated October 19, 2006.

Indebtedness

The general obligation bonded debt of the City is in compliance with the limitation imposed by ORS 264.250 (3). We noted no defaults in principal, interest, sinking fund, or redemption provisions with respect to any of the City's liabilities, and no breach of the bond agreements, at June 30, 2006.

Adequacy of Collateral Securing Depository Balances

ORS 295 provides that each depository, throughout the period of its possession of public fund deposits, shall maintain on deposit with its custodians, at its own expense, securities having a value not less than 25% of the certificates of participation issued by the pool manager for funds in excess of those insured by the Federal Deposit Insurance Corporation. Our review of the adequacy of collateral securing depository balances indicated the collateral was not sufficient at times during the year ended June 30, 2006.

Budget Compliance

The City has complied with Local Budget Law (ORS 294) in the preparation and adoption of its budget and tax levy for fiscal years ending June 30, 2006 and 2007.

CITY OF TUALATIN, OREGON

AUDITOR'S COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS (Continued)

YEAR ENDED JUNE 30, 2006

Insurance and Fidelity Bonds

We have reviewed the City's insurance and fidelity bond coverage at June 30, 2006. We ascertained that such policies appeared to be in force and in compliance with legal requirements relating to insurance and fidelity bond coverage. We are not competent by training to comment on the adequacy of the insurance policies.

Investments

Our review of deposit and investment balances indicated that the City was in compliance with ORS 294, as it pertains to investment of public funds, during the year ended June 30, 2006.

Public Contracting and Purchasing

Our review of the City's public contracting, purchasing procedures and construction of public improvement requirements (ORS 279) indicated that the City was in compliance.

Schedule of Accountability of Independently Elected Officials

There are no elected City officials who collect or receive funds on behalf of the City.

Use Of State Highway Funds

The City has complied with the legal requirements relating to the use of revenue from taxes on motor vehicle use fuel.

Programs Funded from Outside Sources


We have reviewed the City's compliance with appropriate laws, rules, and regulations pertaining to programs funded wholly or partially by the other governmental agencies. The City is in compliance with the guidelines in all material respects.

Financial Reporting Requirements

We have reviewed financial reports and other data relating to programs funded wholly or partially by other governmental agencies. This data, filed with other governmental agencies, is in agreement with and supported by the accounting records.

This report is intended for the information of the City of Tualatin and the Secretary of State Audits Division and is not intended to be and should not be used by anyone other than these specified parties.

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 
Charles A. Swank, A Shareholder
October 19, 2006