

MOSS ADAMS LLP

CITY OF TUALATIN
DEVELOPMENT COMMISSION

AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

JUNE 30, 2005

City of Tualatin
 DEVELOPMENT COMMISSION
 AUDITORS'S REPORT
 AND
 FINANCIAL STATEMENTS
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INTRODUCTORY SECTION

CITY OF TUALATIN, OREGON

DEVELOPMENT COMMISSION

JUNE 30, 2005

BOARD OF COMMISSIONERS

CITY COUNCIL

TERM EXPIRES

Lou Ogden, Mayor

December 31, 2006

Ed Truax, Council President

December 31, 2008

Chris Barhyte

December 31, 2006

Chris Bergstrom

December 31, 2006

James Harris

December 31, 2006

Bob Broyska

December 31, 2008

Mike Gillespie

December 31, 2008

ADMINISTRATIVE

Steve Wheeler, City Manager
Brenda Braden, City Attorney
Nancy Gritta, Finance Director

City Hall
18880 SW Martinazzi Avenue
Tualatin, Oregon 97062

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Council of the
City of Tualatin Development Commission -
The Urban Renewal Agency

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Tualatin Development Commission - The Urban Renewal Agency of the City (a component unit of the City of Tualatin, Oregon), as of and for the year ended June 30, 2005, which collectively comprise the City of Tualatin Development Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Tualatin Development Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

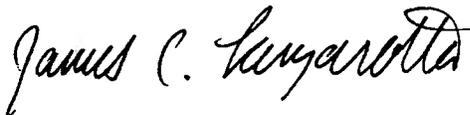
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Tualatin Development Commission, as of June 30, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management discussion and analysis on pages 2 through 11 and the budgetary comparison statements on page 20 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures to management's discussion and analysis, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The budgetary comparison statement has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion is fairly stated in relation the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Tualatin Development Commission's basic financial statements. The other financial information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other financial information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

September 20, 2005



For Moss Adams LLP
Certified Public Accountants
Eugene, Oregon

Management's Discussion and Analysis

As management of the Tualatin Development Commission, we include this narrative presenting an overview and analysis of the financial activities of the Tualatin Development commission for the fiscal year ended June 30, 2005.

The purpose of this presentation is to comply with changes in governmental accounting standards (most notably, Governmental Accounting Standards Board Statement No. 34). These changes were implemented to aid users of governmental financial statements in more easily judging the overall financial position and activities of the government as a whole.

Financial Highlights

- The assets of the Tualatin Development Commission exceeded its liabilities at the close of the most recent fiscal year by \$31,139,025. Of this amount, \$360,262 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$5,605,129. Revenues were greater in 2005 as compared to 2004; the change in net assets is primarily due to the decrease in expenditures in capital outlay in 2005.
- At the end of the 2005 fiscal year, unreserved fund balance for the General Fund is \$239,056 as compared to \$217,592 in 2004.
- The Tualatin Development Commissions total debt for bonds, leases, and loans decreased from \$6,740,490 in 2004 to \$5,440,000 in 2005. The decrease of debt is the result of regular payments on debt and the final maturity payment on the loan through State of Oregon Economic Development Department's Special Public Work fund.

Overview of Financial Statements

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

Fund Financial Statements

In the past, Tualatin and other governments presented fund *financial statements* in their annual reports. Fund financial statements focus on the most significant funds rather than the Agency as a whole. A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The use of fund financial statements is directly related to the budgeting process because some revenues are legally earmarked to be used for certain kinds of expenditures. Fund financial statements ensure and demonstrate compliance with 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.

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 Tualatin Development Commission as a whole. The notes offer information not only to lay readers and citizens, but also to those interested in a detailed study of the Commission's financial operations.

Government wide financial statements

Fund financial statements report short-term accountability focusing on the use of spendable resources and balances of spendable resources at year-end. These statements could not 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 Agency's finances, in a manner similar to a private-sector business.

For the first time in 2002 the Tualatin Development Commission's annual report included government-wide financial statements. These statements provide both long term and short-term information about the Agency's overall status. 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.

The first of these government-wide statements is the Statement of Net Assets. This statement presents information on all of the Tualatin Development Commission's assets and liabilities, with the difference between the two reported as *net assets*. In other words, this statement compares what the government *owns* to what it *owes* and, although there are differences and qualifiers, 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 commission is improving or deteriorating. Other factors being equal, the extent by which assets exceed liabilities is a cushion to be called upon during stressful economic times. Evaluation of the overall health of the Agency would extend to other non-financial factors such as the condition of Agency 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 have on long term goals.

The government-wide financial statements distinguish functions of Tualatin Development Commission, which are principally supported by taxes and intergovernmental revenues (governmental activities).

There are no proprietary funds, or funds which are expected to recover all, or a significant portion of their costs through user fees and charges (*business-type activities*). Governmental activities at the Tualatin Development Commission include the identification of, planning of, and financing of urban renewal projects, which enhance the City of Tualatin and make it a better place to live.

The Tualatin Development Commission is considered a blended *component unit* and, in substance is part of the City's operations, although it is a legally separate entity. Financial statements of the City can be obtained from the Finance Department of the City at 18880 S. W. Martinazzi Avenue, Tualatin, Oregon, 97062.

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.

Because the focus of governmental funds in 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 decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Tualatin Development Commission consists of five funds the General Fund (which is known within the City as the Urban Renewal Administration Fund), the Central Urban Renewal District Project Fund, the Central Urban Renewal District Bond Fund, the Leveton Tax Increment District Project Fund, and the Leveton Tax Increment District Bond Fund. All are governmental funds; the General Fund is considered a special revenue fund, the two project funds are capital project funds which account for the urban renewal expenditures for construction of various projects and the two bond funds account for debt used to fund projects.

**CITY OF TUALATIN
DEVELOPMENT COMMISSION
NET ASSETS**

	Governmental Activities	
	2005	2004
Assets:		
Current and other Assets	18,424,354	17,162,735
Capital Assets	18,540,772	15,873,454
Total Assets	36,965,126	33,036,189
Long-term liabilities Outstanding	5,440,000	6,740,490
Other liabilities	386,101	761,802
Total liabilities	5,826,101	7,502,292
Net Assets:		
Invested in capital assets, Net of related debt	13,100,772	9,132,964
Restricted	17,677,991	15,673,811
Unrestricted	360,262	727,121
Total net assets	31,139,025	25,533,896

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Tualatin Development Commission, assets exceeded liabilities by \$31,139,025 at the end of the most recent fiscal year. The largest portion of the Commission's net assets reflects the investment in capital assets (e.g., buildings and land). The Commission develops these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The investment in cash is higher than it was in 2004 because of bond sales at the end of the fiscal year.

Capital Asset Reporting and Activity During The Year

It is the purpose of the Tualatin Development Commission to develop and build capital assets for the City of Tualatin; they are legally deeded to the City upon completion and therefore are not intended to be permanent assets of the Commission.

Resources to pay debt must come from tax increment dollars since capital assets themselves cannot be used to liquidate liabilities for the Commission or the City. Note F in the Notes to the Financial

Statements section contains the capital asset activity for the year. All urban renewal districts have a defined life and are ended when the planned urban renewal projects are finished.

Capital activity for urban renewal is confined to the two areas of the City represented by the two urban renewal districts—Central Urban Renewal (downtown area) and the Leveton District (industrial area). In 2004-2005 in the Central district \$2,350,152 was spent in the city center improvements and Boones Ferry Road, a major street in the center of the City. Boones Ferry Road preservation, widening, and improvements were started. Design and construction of underground utilities upgrade began to prepare for the widening of Boones Ferry Road in the center of the City. As Phase 1, this project includes the design and construction of the utility under-grounding, roadway widening, sidewalks pedestrian amenities and traffic signal poles. A light rail commuter train station to be constructed will consist of a shelter, benches, bike facilities and public art. This will be part of the Washington County Commuter Rail line, which will serve the Interstate 5 and Highway 217 corridor, and connect with the Tri Met MAX light rail into Portland.

In the Leveton Project fund, \$346,083 was spent in 2004-2005 for project construction, most of which were road improvements in the Leveton District. The primary project was the extension of 124th Avenue from Leveton Drive to Myslonny Street. This project will improve the transportation system in this industrial district, for which transportation is an important priority.

Traditionally state and local governments have not been required to report general infrastructure assets (e.g., roads, bridges) in their financial statements. This followed the line of thought that governments used their infrastructure for operations, to sell them would in effect “put the government out of business” and that these assets were only usable to the government and therefore were not saleable.

With the move to a more private-sector-like focus for all activities in government-wide financial statements the importance of capital assets including infrastructure was recognized as important as was its reporting.

The cost of infrastructure represents the largest cost of all tangible assets, has a direct relationship on safety and quality of life, and is considered the most basic of all requirements for a civilized society—it is little wonder its importance has emerged as a measure of financial viability.

The importance of urban renewal as a vehicle to improve infrastructure cannot be underestimated. Improving infrastructure is an immense problem for cities to accomplish without the help of an urban renewal agency. The reasons for this are many:

- Such projects, however necessary, translate into a drain on current, often inadequate resources, and are more likely to be clearly understood by the taxpayer as an increase in taxes for the same services.
- Urban renewal agencies' projects are more clearly seen by citizens as “an improvement” for the future.
- Urban renewal personnel develop an expertise, which results in efficiencies difficult to achieve for those for which it is not a day-to-day vocation.
- Urban Renewal projects often result in upgrades, which would have, not have been addressed until years later, and were they not contiguous to an urban renewal project.
- Funding of urban renewal projects is separate from, and earmarked for, capital improvements.

**CITY OF TUALATIN
DEVELOPMENT COMMISSION'S
STATEMENT OF ACTIVITIES**

	Governmental Activities	
	2005	2004
Revenues:		
Taxes and assessments	5,647,174	5,457,488
Interest	417,855	221,556
Miscellaneous	33,526	218,851
Transfers	(1,855)	(241,361)
Total general revenues:	6,096,700	5,656,534
Expenses:		
General government	289,381	324,905
Interest	202,189	274,291
Capital Outlay Transferred	-	5,501,357
Total expenses	491,570	6,100,553
Positive (negative)/net assets	5,605,129	(444,019)
Net Assets – beginning of the year	25,533,896	25,977,915
Net Assets- ending of the year	31,139,025	25,533,896

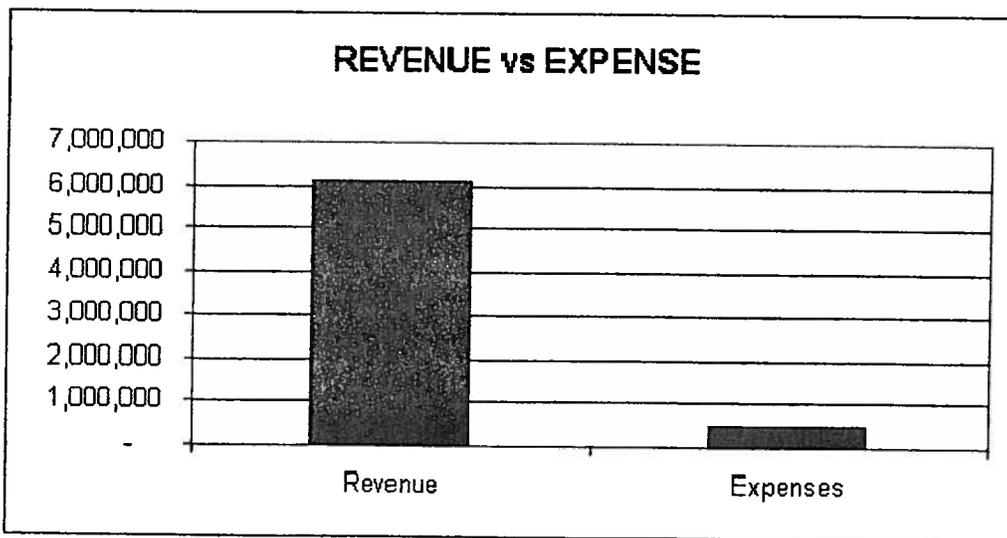
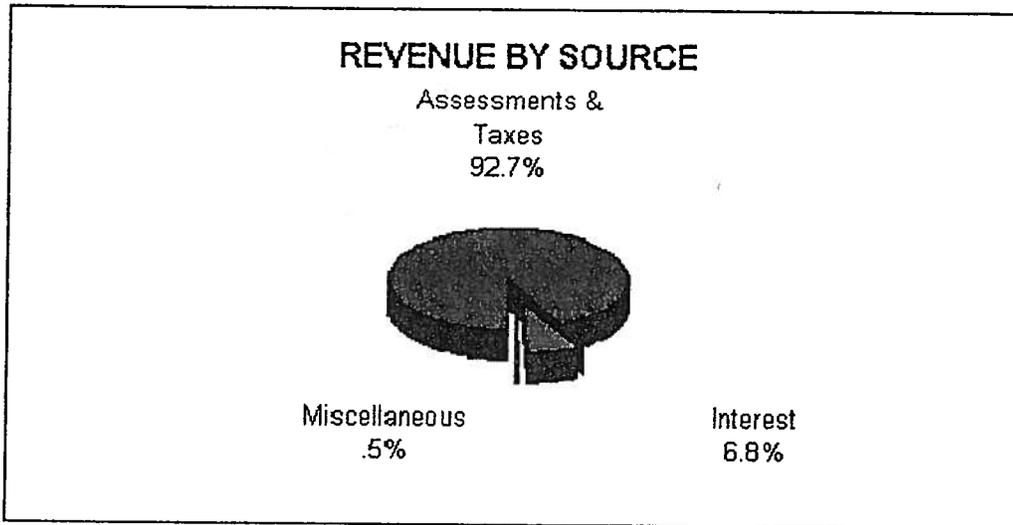
Summary of Revenues and Expenses by Source

During 2004-2005 the following notable factors concerning revenues and expenditures are demonstrated in the statement of activities:

- Taxes and assessments are responsible for the overwhelming share of revenues. Of total revenues of \$6,098,554, taxes and assessments represent \$5,647,174 or 93 percent. Tax increment revenues represent growth in taxable valuation from a predetermined frozen base.
- Expenditures for 2004-05 are \$491,570 of which \$202,189 is attributed to interest payments on the long-term debt.

TUALATIN DEVELOPMENT COMMISSION

GOVERNMENTAL FUNDS



Significant Differences in Variations in Revenues and Expenditures & Differences Between Actual and Budgeted Figures

The Central Urban Renewal Projects Fund ended with an increased beginning balance of \$8,103,077 as compared to \$7,013,466. Capital outlay expenditures fell below a budget of \$4,913,000 to an actual of \$2,339,914. The projects in this fund are in the center of the City such that any delay in one had the capacity create a domino effect to disrupt the others. The Boones Ferry Road/Tualatin Sherwood Road Project, the central piece of these projects, was budgeted at \$2,650,000 whereas expenditures were only \$1,426,296 for the year. This resulted from problems related to the project itself and a historical building contiguous to the project.

The fund balance in the Leveton Tax District Project increased in 2005 to \$6,951,391 from \$5,055,396 in 2004. This increase occurred because expenditures were delayed leaving a larger fund balance than was expected. Projects, which were delayed, included the 124th Ave/Myslony/Tualatin Sherwood Road Project, which was budgeted at \$976,585 and came in at \$102,164 for the year and the 108th Tualatin Road Project, which was budgeted at \$385,000 and only began the design process for \$11,800. Other road projects were delayed in the industrial area of the City. Such delays are not uncommon because the fiscal year falls in the middle of the prime building season.

Discussion of Significant changes in Individual Fund Balances

The purpose of the Tualatin Development Commission is to build projects that revitalize areas of the City which are specified in the Leveton and Central Urban Renewal District Plans. These projects are paid for by tax increment revenues. Tax increment revenues are received in the bond funds and used to pay principal and interest on the debt financing the construction in the project funds. It is necessary that balances in the bond funds remain large enough to pay all principal and provide for any reserves required by bond indentures or loan agreements. However, any funds above these requirements are moved to the project funds for fund construction.

The ending fund balance in the Central Urban Renewal Bond Fund is lower in 2005 than it was in 2004 for several reasons:

- It is the policy of the Commission to retain as little in cash as is necessary to pay current debt service and provide adequate reserves to meet bond covenant requirements and maintain financial prudence. The purpose of the capital raised by the issuance of debt is to provide for the urban renewal development, which are budgeted and paid for from the Commission's project funds.
- There are legal ramifications in Oregon for holding excess cash in urban renewal bond funds. Stated broadly, if too much cash accumulates in an urban renewal bond fund, the Commission can be pressed into paying off outstanding debt and ending the relevant urban renewal district.
- Currently all of the Development Commission's debt is held by one bank. With the refunding of Central Urban Renewal debt in 2004, the amount outstanding of this district's debt was sufficiently low, as were the bond service payments that this bank no longer required that reserves be budgeted as required.

Debt Administration

Bond activity and loan activity for the Tualatin Development Commission is illustrated below:

	Beginning	Additions	Reductions	Ending
Urban Renewal Bonds	\$6,600,000	-0-	(1,160,000)	\$5,440,000
Loans Payable	140,490	-0-	(140,490)	-0-
Total Long Term Liabilities	\$6,740,490	-0-	(1,300,490)	\$5,440,000

Significant factors in long-term debt activity include the following:

The Development Commission continues to use short-term bonds to move funds to the projects funds. These bonds are sold and redeemed within a few days. The proceeds of the bonds are recorded in the project funds (Central Urban Renewal Project fund and Leveton Tax Increment Project Fund).

The payments for principal, interest, and cost of issuance are recorded in the bond funds (Central Urban Renewal Bond Fund and Leveton Bond Fund). In 2004-05 Central Urban renewal sold a “du jour” bond for \$2,930,000 and Leveton sold one for \$2,383,070. There is no liability on the books for such bonds at year-end.

Economic Factors and Next Year’s Budget

During the past two decades, Oregon has attempted to make a transition from a resource-based economy to a more mixed manufacturing and marketing economy, with an emphasis on high technology. However, the state was severely hit by the recession, which occurred after the boom of the 1990s.

Oregon was hit hard by the recession, but the State appears to be recovering and is reported as one of the top five states for the pace of job growth. It is reported that the growth is more balanced than it has been in the past that would make the State less vulnerable to a slowdown of a particular sector.

Tualatin Development Commission has a history of being able to lure attractive development, which has subsequently made positive contributions to Tualatin. This has helped shield the City of Tualatin against the perils of cutting services because of its relatively low permanent tax rate or \$2.26 per \$1,000 taxable assessed value.

At June 30, 2005, the construction of 100,000 square feet, high-end retail space (Bridgeport Village) was being completed in Tualatin. Contingent to I-5, the State’s primary North-South freeway, this “lifestyle” mall with shops and restaurants has been extremely successful. Two other retail developments near the same location are slated to build in early 2005 – the Pointe at Bridgeport and Bridgeport Commons.

The challenges of the future will be to continue productive development and dealing with the high cost of maintaining livability within the larger metropolitan area.

Request for Information

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

Questions concerning any of the information provided in this report or request 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

**CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
STATEMENT OF NET ASSETS
JUNE 30, 2005**

ASSETS

Cash and investments	\$ 18,244,742
Receivable	
Taxes and assessments	179,029
Interest	447
Due from primary government funds	136
Land	5,184,096
Construction in progress	9,425,967
Infrastructure	4,174,974
Accumulated depreciation	<u>(244,265)</u>
 Total assets	 <u>36,965,126</u>

LIABILITIES

Accounts payable	202,828
Matured bond payable	70,000
Due to primary government funds	113,273
Long-term liabilities	
Due within one year	1,190,000
Due after one year	<u>4,250,000</u>
 Total liabilities	 <u>5,826,101</u>

NET ASSETS

Invested in capital net of related debt	13,100,772
Restricted for debt services	2,623,523
Restricted for capital projects	15,054,468
Unrestricted	<u>360,262</u>
 Total net assets	 <u><u>\$ 31,139,025</u></u>

Handwritten:
18,540,772
5,440,000

debt 13,100,772

**CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
STATEMENT OF ACTIVITIES
JUNE 30, 2005**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
					Governmental Activities
Primary Government					
Governmental Activities					
General Government	\$ 289,381	\$ -	\$ -	\$ -	\$ (289,381)
Interest	202,189	-	-	-	(202,189)
Total Government Activities	\$ 491,570	\$ -	\$ -	\$ -	\$ (491,570)

General Revenues	
Taxes and Assessments	5,647,174
Miscellaneous	33,526
Investment Earnings	417,854
Total General Revenues	6,098,554
Transfers, net	(1,855)
Total general Revenues and Transfers	6,096,699
Change in Net Assets	5,605,129
Net Assets, beginning of year	25,533,896
Net Assets, end of year	\$ 31,139,025

GOVERNMENTAL FUND FINANCIAL STATEMENTS
MAJOR GOVERNMENTAL FUNDS

General Fund - accounts for the financial operations of the Agency that are not accounted for in any other fund. Principal source of revenue is interest from investments.

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 and 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 the acquisition and construction of capital assets within the Urban Renewal Agency's boundary and payment of nonbonded indebtedness.

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.

**CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
GOVERNMENTAL FUNDS - BALANCE SHEET
JUNE 30, 2005**

	General Fund	Central Urban Renewal District Bond Sinking Fund	Leveton Tax Increment District Bond Sinking Fund
ASSETS			
Cash and investments	\$ 316,419	\$ 709,606	\$ 1,930,267
Receivable			
Taxes and assessments	-	74,894	104,135
Interest	-	209	238
Due from primary government funds	136	-	-
Land	-	-	-
Construction in progress	-	-	-
Infrastructure	-	-	-
Accumulated depreciation	-	-	-
	<u>316,555</u>	<u>784,709</u>	<u>2,034,640</u>
Total assets	<u>\$ 316,555</u>	<u>\$ 784,709</u>	<u>\$ 2,034,640</u>
Accounts payable	\$ 10,059	\$ 4,620	\$ -
Matured bond payable	-	70,000	-
Due to primary government funds	67,440	-	-
Deferred Revenue	-	50,666	70,540
Long-term liabilities			
Due within one year	-	-	-
Due after one year	-	-	-
	<u>77,499</u>	<u>125,286</u>	<u>70,540</u>
Total liabilities	<u>77,499</u>	<u>125,286</u>	<u>70,540</u>
FUND BALANCES			
Unreserved, reported in			
General Fund	239,056	-	-
Debt service funds	-	659,423	1,964,100
Capital projects funds	-	-	-
Total fund balance	<u>239,056</u>	<u>659,423</u>	<u>1,964,100</u>
Total liabilities and fund balance	<u>\$ 316,555</u>	<u>\$ 784,709</u>	<u>\$ 2,034,640</u>

Central Urban Renewal District Project Fund	Leveton Tax Increment District Projects Fund	Total	Adjustments	Statement of Net Assets
\$ 8,288,053	\$ 7,000,397	\$ 18,244,742	\$ -	\$ 18,244,742
-	-	179,029	-	179,029
-	-	447	-	447
-	-	136	-	136
-	-	-	5,184,096	5,184,096
-	-	-	9,425,967	9,425,967
-	-	-	4,174,974	4,174,974
-	-	-	(244,265)	(244,265)

*fund
CID
support
acc 10/1/14*

+ Imp

<u>\$ 8,288,053</u>	<u>\$ 7,000,397</u>	<u>\$ 18,424,354</u>	<u>18,540,772</u>	<u>36,965,126</u>
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(1)

\$ 147,476	\$ 40,673	\$ 202,828	\$ -	\$ 202,828
-	-	70,000	-	70,000
37,500	8,333	113,273	-	113,273
-	-	121,206	(121,206)	-
-	-	-	1,190,000	1,190,000
-	-	-	4,250,000	4,250,000

*def revenue
available 1/1/14
more has been*

<u>184,976</u>	<u>49,006</u>	<u>507,307</u>	<u>5,318,794</u>	<u>5,826,101</u>
----------------	---------------	----------------	------------------	------------------

(2)

-	-	239,056	(239,056)	-
-	-	2,623,523	(2,623,523)	-
8,103,077	6,951,391	15,054,468	(15,054,468)	-
8,103,077	6,951,391	17,917,047	(17,917,047)	-

<u>\$ 8,288,053</u>	<u>\$ 7,000,397</u>	<u>\$ 18,424,354</u>
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Net Assets	
Invested in capital net of related debt	13,100,772
Restricted for debt service	2,623,523
Restricted for capital projects	15,054,468
Unrestricted	360,262
Total net assets	\$ 31,139,025

*→ fiscal service
- 0/15
debit*

1-2

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**CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENT OF NET ASSETS
JUNE 30, 2005**

Explanation of difference between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes adjustments to arrive at the amounts reported on the statement of net assets the following is an explanation of those adjustments:

Governmental fund balance	\$ 17,917,047
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds.	
Land	5,184,096
Construction in progress	9,425,967
Infrastructure	4,174,974
Accumulated depreciation	(244,265)
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred revenue in the funds	
	121,206
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	
Payable within one year	(1,190,000)
Due in more than one year	(4,250,000)
Net adjustment to fund balance – total governmental funds to arrive at net assets – governmental activities	13,221,978
Government-wide statement of net assets	\$ 31,139,025

18,540,772

**CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
GOVERNMENTAL FUNDS - STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2005**

	General Fund	Central Urban Renewal District Bond Sinking Fund	Leveton Tax Increment District Bond Sinking Fund
REVENUES			
Taxes and assessments	\$ -	\$ 2,297,154 [✓]	\$ 3,363,944
Interest	4,725	105,270	79,094
Miscellaneous	5,815	-	-
Total revenues	<u>10,540</u>	<u>2,402,424</u>	<u>3,443,038</u>
EXPENDITURES			
Current			
General Government	225,181	6,122	5,016
Debt Service			
Principal	-	3,350,000	3,263,560
Interest	-	64,935	137,254
Reserves	-	-	-
Capital outlay	4,040	-	-
Total expenditures	<u>229,221</u>	<u>3,421,057</u>	<u>3,405,830</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(218,681)</u>	<u>(1,018,633)</u>	<u>37,208</u>
OTHER FINANCING SOURCES (USES)			
Issuance of debt	-	-	-
Payment received on notes receivable	-	-	-
Transfers in	402,000	-	-
Transfers out	(161,855)	-	-
Total other financing sources and (uses)	<u>240,145</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	21,464	(1,018,633)	37,208
Change in net assets	-	-	-
Fund balance / net assets			
Beginning of the year	<u>217,592</u>	<u>1,678,056</u>	<u>1,926,892</u>
End of the year	<u>\$ 239,056</u>	<u>\$ 659,423</u>	<u>\$ 1,964,100</u>

less corp & reverb

Leveton Tax

Leveton Tax

Transfers in

*Transfers in
202,000
206,000
200,000*

Leveton Tax

Central Urban Renewal District Projects Fund	Leveton Tax Increment District Projects Fund	Total Governmental Funds	Adjustments	Statement of Activities
\$ -	\$ -	\$ 5,661,098	\$ (13,924)	\$ 5,647,174
140,741	88,024	417,854	-	417,854
18,911	8,800	33,526	-	33,526
159,652	96,824	6,112,478	(13,924)	6,098,554
12,527	11,618	260,464	28,917	\$ 289,381
-	-	6,613,560	(6,613,560)	-
-	-	202,189	-	202,189
-	-	-	-	-
2,339,914	352,281	2,696,235	(2,696,235)	-
2,352,441	363,899	9,772,448	(9,280,878)	491,570
(2,192,789)	(267,075)	(3,659,970)	9,266,954	5,606,984
2,930,000	2,383,070	5,313,070	(5,313,070)	-
374,400	-	374,400	(374,400)	-
270,000	-	672,000	(402,000)	270,000
(292,000)	(220,000)	(673,855)	402,000	(271,855)
3,282,400	2,163,070	5,685,615	(5,687,470)	(1,855)
1,089,611	1,895,995	2,025,645	(2,025,645)	-
-	-	-	5,605,129	5,605,129
7,013,466	5,055,396	15,891,402	9,642,494	25,533,896
\$ 8,103,077	\$ 6,951,391	\$ 17,917,047	\$ 13,221,978	\$ 31,139,025

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Account*

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**CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENT OF ACTIVITIES
JUNE 30, 2005**

Explanation of differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures and changes in fund balance includes adjustment to arrive at the amounts reported on the statement of net assets the following is an explanation of those adjustments:

Change in fund balance – total government funds \$ 2,025,645

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

Taxes and assessments	(13,924)
Payment received on notes	(374,400)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of assets is allocated over their estimated useful lives, and reported as depreciation

Capital outlay	2,696,235 ✓
Depreciation expense	(28,917) ✓

The issuance of long-term debt provides resources to governmental fund, 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.

Payments of long-term debt (including refunding)	6,613,560
Issuance of bonds (including refunding)	(5,313,070)

Net adjustment to decrease net changes in fund balance – total governmental funds to arrive at change in net assets of governmental activities.	3,579,484
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Change in net assets	\$ 5,605,129
----------------------	--------------

3,579,484

**CITY OF TUALATIN DEVELOPMENT COMMISSION
STATEMENT OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2005
GENERAL FUND**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Interest	\$3,870	\$ 3,870	\$ 4,725	\$ 855
Miscellaneous	-	-	5,815	5,815
Total revenues	3,870	3,870	10,540	6,670
EXPENDITURES				
Materials and services	254,922	254,922	225,181	29,741
Capital Outlay	2,300	2,300	4,040	(1,740)
Contingency	179,277	179,277	-	179,277
Total expenditures	436,499	436,499	229,221	207,278
Excess of revenues over (under) expenditures	(432,629)	(432,629)	(218,681)	213,948
OTHER FINANCING SOURCES (USES)				
Operating transfers in	402,000	402,000	402,000	-
Operating transfers out	(161,855)	(161,855)	(161,855)	-
Total other financing sources (uses)	240,145	240,145	240,145	-
Excess of revenues and other sources over (under) expenditures and other uses	(192,484)	(192,484)	21,464	213,948
BEGINNING FUND BALANCE	192,484	192,484	217,592	25,108
ENDING FUND BALANCE	\$ -	\$ -	\$ 239,056	\$ 239,056

**CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Financial Reporting Entity

These financial statements present the City of Tualatin Development Commission – The Urban Renewal Agency of the City (the Agency), a component unit of the City of Tualatin, Oregon. The Agency was established on September 23, 1974 to provide for rehabilitation of blighted and deteriorated areas within the City's designated urban renewal area. The City council of the City of Tualatin is the governing body of the agency. The Agency is considered a blended component unit and, in substance, is part of the City's operations, although it is a legally separate entity.

2. Government-wide and fund financial statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the Agency). 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 Agency has no proprietary or fiduciary funds.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are 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.

**CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 Agency considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Agency reports the following major governmental funds:

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

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 of the Agency's tax increment bonds.

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 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 the acquisition and construction of capital assets 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.

**CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government 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 Agency 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.

4. Cash and Investments

The Agency maintains a cash and 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 type's portion of this pool is displayed on the combined balance sheet 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 Agency to invest in general obligations of the United States and its agencies, certain debt of Oregon municipalities, time deposits, savings accounts, certificates of deposits, bankers' acceptances, the Oregon State Treasurer's Investment Pool and certain highly rated commercial paper. Investments are stated at fair value.

5. Property Taxes Receivable

In the governmental fund financial statements, property taxes receivable, which have been collected within sixty days subsequent to year-end, are considered measurable and available and are recognized as revenues. 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

**CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

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

6. 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”.

7. Pre-paid Items

Payments made to vendors that will benefit periods beyond June 30, 2005 are recorded as pre-paid items.

8. Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g. roads, pathways, street lights, etc.) are reported in the applicable governmental columns in the government-wide financial statements. In the governmental fund statements, capital assets are charged to expenditures as purchased. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value as of the date of the donation.

Capital assets are defined by the Agency 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 extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

**CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

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

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premium and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the governmental 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 issuances are reported as other financing uses.

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

10. Fund Equity

Fund Balance – in the governmental fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

11. Use of Estimates

In preparing the Agency'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.

**CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE B – BUDGETARY COMPLIANCE ACCOUNTING

1. Budgetary Information

A budget is prepared for each governmental 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 budget category (Personal Services, Materials and Services, Capital Outlay, etc.) in all 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 hearings before the public, publication in newspapers and approval by the Board of Commissioners. Original and supplemental budgets may be modified by the use of appropriations transfers between the levels of control as approved by the Board of Commissioners. Agency management is authorized to make any changes to the budget within each organizational unit. Appropriations lapse as of year-end.

Oregon state law requires disclosure of fund expenditures in excess of budgeted appropriations. For the fiscal year ending June 30, 2005, the following funds had expenditures in excess of budget appropriations:

Urban Renewal Fund - Capital Outlay	\$ 1,740
-------------------------------------	----------

2. Basis of Accounting

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

NOTE C - CASH AND INVESTMENTS

Cash and investments consisted of the following:

Depository accounts	\$ 5,276,657
Investments	<u>12,968,085</u>
Total	<u><u>\$ 18,244,742</u></u>

Deposits

State statutes require that the Agency obtain from its depositories, a certificate of participation for the full amount of the Agency's deposits. The depositories are required to pledge, with an independent pool manager, securities in the Agency's name equal to twenty-five percent of the face value of the certificate of participation issued to the Agency.

**CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE C – CASH AND INVESTMENTS (Continued)

Local government Investment Pool

The agency participates in the Oregon State Treasurer's Local Government Investment Pool (LGIP), a non-SEC regulated, open-ended, no-load diversified portfolio created under ORS 294.805 to 294.895. The LGIP is administered by the State Treasurer and the Oregon Investment Council with the advice of the Oregon Short-Term Fund Board. The Oregon State Treasurer's Office has calculated the fair value of the underlying investments of the LGIP and the Agency's share of market value is reflected below. The Agency has the right to access amounts on deposit in the pool on demand.

Investments

Investments are recorded at fair value.

State of Oregon Treasurer's Local Government Investment Pool	<u>\$ 12,968,085</u>
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Custodial credit risk

Deposits include bank demand deposits. The carrying amount of deposits is \$5,276,657. The total bank balance per the bank statements is \$5,336,420. The full amount, \$5,336,420, is covered by federal depository insurance and certificates of participation that are held by third parties in the Agency's name. Bank balances on deposit exceeded insured or collateralized amounts on one or more days during the period of July 1, 2004 to June 30, 2005.

Interest rate risk

The Agency does not have a specific policy covering interest rate risk. However, its risk exposure is mitigated by use of demand deposit accounts and the Local Government Investment Pool that allows withdrawals upon demand.

Credit risk

The Agency follows state law which specifies the allowable depositories and investments.

Concentration of credit risk

The Agency does not have a formal policy covering concentration of credit risk. However, this risk is mitigated by the types of depository and investments currently used.

**CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE D – RECEIVABLES

Receivables at June 30, 2005 consist of the following:

	<u>Taxes Receivable</u>	<u>Interest Receivable</u>	<u>Total</u>
Leveton Tax Increment Bond Sinking	\$ 74,894	\$ 209	\$ 75,103
Central Urban Renewal district Projects	<u>104,135</u>	<u>238</u>	<u>104,373</u>
	<u>\$ 179,029</u>	<u>\$ 447</u>	<u>\$ 179,476</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:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable - Central Urban Renewal District Bond Fund	\$ 50,666	\$ -
Property taxes receivable - Leveton Tax Increment District Bond Fund	<u>70,540</u>	<u>-</u>
	<u>\$ 121,206</u>	<u>\$ -</u>

**CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE E – INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS

Amounts for interfund receivables and interfund payables due to/from the primary government funds are comprised of the following:

	Interfund Receivable	Interfund Payable
Governmental Activities:		
Urban Renewal Fund	\$ 136	\$ 67,440
Central Urban Renewal District Project Fund	-	37,500
Leveton Tax Increment District Project Fund	-	8,333
	\$ 136	\$ 113,273

All interfund transfers were part of routine transactions. Amounts for interfund transfers are comprised of the following:

	Transfers from			
	General Fund	Central Urban Renewal District Bond Projects Fund	Leveton Tax Increment District Bond Projects Fund	
Transfers in:				
General	\$ -	\$ 202,000	\$ 200,000	\$ 402,000
				\$ 270,000
Transfers out to primary government				\$ 271,855

In the fund financial statements, total transfers out of \$673,855 are less than transfers in of \$672,000 due to transfers made to the primary government.

**CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE F – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 was as follows:

	Beginning Balance	Increases/ Reclassifications	Decreases/ Reclassifications	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 5,184,096	\$ -	\$ -	\$ 5,184,096
Construction in progress	9,939,099	2,696,235	(3,209,367)	9,425,967
Total capital assets, not being depreciated	15,123,195	2,696,235	(3,209,367)	14,610,063
Capital assets, being depreciated:				
Improvements other than buildings	-	490,625	-	490,625
Infrastructure	965,607	2,718,742	-	3,684,349
Less accumulated depreciation for:				
Infrastructure	(215,348)	(28,917)	-	(244,265)
Total capital assets, being depreciated net	750,259	3,180,450	-	3,930,709
Governmental activities capital assets, net	\$ 15,873,454	\$ 5,876,685	\$ (3,209,367)	\$ 18,540,772

3,774,974
5,440,000
18,100,772

NOTE G – LONG-TERM DEBT

Urban renewal and redevelopment bonds

Outstanding Central Urban Renewal bonds include the 2004 Bond which consists of two parts: Part A refunded the 1987 Bond which paid for land acquisition, relocation and clearance for the town center, outstanding balance on these bonds at June 30, 2005 was \$385,000 with an interest rate of 2.4% and final maturity in June 2007; Part B, the 2004 Project Bond, financed Boones Ferry Phase 1, utility underground, transportation, and streetscape improvements - this provided new funds. The outstanding balance on these bonds at June 30, 2005 was \$1,270,000 with an interest rate of 3.05% and final maturity in June 2010. In as much as the 1987 bonds were refunded, the reserve requirements associated with them are no longer in effect. The 2004 Series is not secured by a reserve and although a special levy could be imposed, if needed to pay for the debt, all tax increment projections indicate it will not be necessary.

Remaining debt for the Leveton District includes the 2004 Refunding Bond with a balance of \$335,000 as of June 30, 2005. The bond has an interest rate of 2.75% and final maturity in June 2008. Also ~~included is~~ the Intermediate Financing (original amount of \$4,085,000) with an outstanding balance of \$3,450,000 at June 30, 2005. The bond has an interest rate of 2.9% and final maturity in June 2010. The proceeds from this financing are being used for improvement of infrastructure at 124th from SW Leveton to SW Myslony. Two Special Leveton Public Works Fund Loans were retired with final payment in 2004-05.

**CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE G – LONG-TERM DEBT (Continued)

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

<u>YEAR ENDING JUNE 30, 2005</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 1,190,000	\$ 157,238
2007	1,220,000	123,483
2008	1,060,000	88,875
2009	970,000	57,925
2010	<u>1,000,000</u>	<u>29,405</u>
Total	<u>\$ 5,440,000</u>	<u>\$ 456,926</u>

Short-term Bonds

The Agency, by state law, is financed with property tax increment revenues, and the projects within them are limited by a cap on the amount of debt that can be issued. Many urban renewal agencies in Oregon issue long-term debt in the amount of the cap, and construct improvements over a short period of time. The improvements generate additional 'tax-increment' property tax revenues in future periods which provide the resources necessary to repay the debt. The debt issued is reported in the governmental funds as a resource in the 'other financing sources' section of the statement of revenues, expenditures, and changes in fund balance. Reporting the debt issued as an 'other financing source' provides the necessary reporting for state law purposes of the amount of debt issued to show legal compliance with the urban renewal district's debt issuance limit.

The Agency, among many other urban renewal districts in Oregon, chooses to construct projects in phases over several years as opposed to constructing nearly all projects at one time. As a result, the Agency issues several small bonds in amounts sufficient to cover each phase of construction. The Agency is fortunate to already have sufficient tax increment revenues to repay these small bond issuances annually. To take advantage of significant interest cost reductions, the Agency issues short-term 'du jour' bonds and redeems them within days of issuance. Since it is the Agency's option to issue long-term or short-term debt, and given the need to provide a reporting mechanism of all debt issued up to the state legal debt issuance limit, the Agency believes it is appropriate to report the short-term debt issuances within the 'other financing sources' section in the governmental fund statement of revenues, expenditures, and changes in fund balance.

**CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE G – LONG-TERM DEBT (Continued)

Loans payable

In March 1989, the Agency borrowed \$1,000,000 at an interest rate of 5% through the State of Oregon Economic Development Department's Special Public Works Fund to finance road, water, sewer and storm drain improvements to the Leveton Tax Increment District. This loan reached its final maturity and the Tualatin Development Commission made its final payment in January 2005.

These loans were repaid with tax increment revenues, however they were backed by full faith and credit pledges.

Long-term liability activity for the year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
Urban renewal and redevelopment bonds	\$ 6,600,000	\$ -	\$ (1,160,000)	\$ 5,440,000	\$ 1,190,000
Total bonds payable	6,600,000	-	(1,160,000)	5,440,000	1,190,000
Loans payable	140,490	-	(140,490)	-	-
Short term bonds *	<u>-</u>	<u>5,313,070</u>	<u>(5,313,070)</u>	<u>-</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 6,740,490</u>	<u>\$ 5,313,070</u>	<u>\$ (6,613,560)</u>	<u>\$ 5,440,000</u>	<u>\$ 1,190,000</u>

* Refer to the note regarding short term bonds on the previous page.

**CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE H COMMITMENTS AND CONTINGENCIES

The agency is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Agency carries commercial insurance. There have been no settlements in excess of insurance coverage for the year ended June 30, 2005.

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

The Agency had approximately \$67,190 of commitments with respect to unfinished capital projects at June 30, 2005.

NOTE I – 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 Agency currently do not exceed the \$10.00 rate limit; however, this limitation may affect the availability of future tax revenues for the Agency.

In May 1997, the voters approved Measure 50, which rolled back, assessed values to 90 percent of 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 at either (i) a general election in an even numbered year, or (ii) at any other election in which at least 50 percent of registered voters cast a ballot.

BUDGETARY COMPARISON SCHEDULES STATEMENTS

Pursuant to the provision of Oregon Revised Statute 297.465, Oregon Administrative Rule #162-040-0130, *Minimum Standards for Audits of Oregon Municipal Corporations*, requires an individual schedule of revenues, expenditures/expenses, and changes in fund balances/net assets, budget and actual be displayed for each fund where legally adopted budgets are required.

In accordance with GASB Statement #34, the Agency's General Fund and any major special revenue fund are presented as the third of the basic government fund financial statements. All other fund budgetary comparisons are displayed in the following pages as supplemental information.

**SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS**

Debt Service Funds

- Central Urban Renewal District Bond Sinking
- Leveton Tax Increment District Bond Sinking

Capital Projects Funds

- Central Urban Renewal District Projects
- Leveton Tax Increment District Projects

**CITY OF TUALATIN DEVELOPMENT COMMISSION
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2005
CENTRAL URBAN RENEWAL DISTRICT BOND SINKING FUND**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Property taxes				
Current	\$ 2,300,000	\$ 2,300,000	\$ 2,251,435	\$ (48,565)
Prior	20,000	20,000	45,719	25,719
Interest	32,218	32,218	105,270	73,052
Total revenues	2,352,218	2,352,218	2,402,424	50,206
EXPENDITURES				
Materials and services	10,353	10,353	6,122	4,231
Debt service				
Principal	3,365,000	3,365,000	3,350,000	15,000
Interest	62,550	62,550	64,935	(2,385)
Reserve funds	500,237	500,237	-	500,237
Total expenditures	3,938,140	3,938,140	3,421,057	517,083
Excess of revenues over (under) expenditures	(1,585,922)	(1,585,922)	(1,018,633)	567,289
BEGINNING FUND BALANCE	1,585,922	1,585,922	1,678,056	92,134
ENDING FUND BALANCE	\$ -	\$ -	\$ 659,423	\$ 659,423

**CITY OF TUALATIN DEVELOPMENT COMMISSION
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2005
LEVETON TAX INCREMENT DISTRICT BOND SINKING FUND**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Property taxes				
Current	\$ 3,050,000	\$ 3,050,000	\$ 3,309,759	\$ 259,759
Prior	17,000	17,000	54,185	37,185
Interest	35,053	35,053	79,094	44,041
Total revenues	<u>3,102,053</u>	<u>3,102,053</u>	<u>3,443,038</u>	<u>340,985</u>
EXPENDITURES				
Materials and services	10,100	10,100	5,016	5,084
Debt service				
Principal	3,268,560	3,268,560	3,263,560	5,000
Interest	146,620	146,620	137,254	9,366
Reserve funds	1,423,440	1,423,440	-	1,423,440
Total expenditures	<u>4,848,720</u>	<u>4,848,720</u>	<u>3,405,830</u>	<u>1,442,890</u>
Excess of revenues over (under) expenditures	(1,746,667)	(1,746,667)	37,208	1,783,875
BEGINNING FUND BALANCE	<u>1,746,667</u>	<u>1,746,667</u>	<u>1,926,892</u>	<u>180,225</u>
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,964,100</u>	<u>\$ 1,964,100</u>

**CITY OF TUALATIN DEVELOPMENT COMMISSION
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2005
CENTRAL URBAN RENEWAL DISTRICT PROJECTS FUND**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Interest	\$ 131,116	\$ 131,116	\$ 140,741	\$ 9,625
Intergovernmental	-	-	-	-
Miscellaneous	-	-	18,911	18,911
Total revenues	131,116	131,116	159,652	28,536
EXPENDITURES				
Materials and services	20,543	20,543	12,527	8,016
Capital Outlay	4,913,000	4,913,000	2,339,914	2,573,086
Contingency	500,000	770,000	-	770,000
Reserve funds	4,036,373	4,036,373	-	4,036,373
Total expenditures	9,469,916	9,739,916	2,352,441	7,387,475
Excess of revenues over (under) expenditures	(9,338,800)	(9,608,800)	(2,192,789)	7,416,011
OTHER FINANCING SOURCES (USES)				
Issuance of debt	2,930,000	2,930,000	2,930,000	-
Payment received on note receivable	-	-	374,400	374,400
Operating transfers in	-	270,000	270,000	-
Operating transfers out	(547,000)	(547,000)	(292,000)	255,000
Total other financing sources (uses)	2,383,000	2,653,000	3,282,400	629,400
Excess of revenues and other sources over (under) expenditures and other uses	(6,955,800)	(6,955,800)	1,089,611	8,045,411
BEGINNING FUND BALANCE	6,955,800	6,955,800	7,013,466	57,666
ENDING FUND BALANCE	\$ -	\$ -	\$ 8,103,077	\$ 8,103,077

See auditor's report and accompanying notes.

**CITY OF TUALATIN DEVELOPMENT COMMISSION
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2005
LEVETON TAX INCREMENT DISTRICT PROJECTS FUND**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Interest	\$ 60,000	\$ 60,000	\$ 88,024	\$ 28,024
Miscellaneous	5,025	5,025	8,800	3,775
Total revenues	65,025	65,025	96,824	31,799
EXPENDITURES				
Materials and services	37,150	37,150	11,618	25,532
Capital Outlay	2,226,585	2,546,585	352,281	2,194,304
Contingency	200,000	200,000	-	200,000
Reserve funds	4,292,815	4,292,815	-	4,292,815
Total expenditures	6,756,550	7,076,550	363,899	6,712,651
Excess of revenues over (under) expenditures	(6,691,525)	(7,011,525)	(267,075)	6,744,450
OTHER FINANCING SOURCES (USES)				
Issuance of debt	2,383,070	2,383,070	2,383,070	-
Operating transfers out	(220,000)	(220,000)	(220,000)	-
Total other financing sources (uses)	2,163,070	2,163,070	2,163,070	-
Excess of revenues and other sources over (under) expenditures and other uses	(4,528,455)	(4,848,455)	1,895,995	6,744,450
BEGINNING FUND BALANCE	4,528,455	4,848,455	5,055,396	206,941
ENDING FUND BALANCE	\$ -	\$ -	\$ 6,951,391	\$ 6,951,391

See auditor's report and accompanying notes.

OTHER FINANCIAL SCHEDULES

**TUALATIN DEVELOPMENT COMMISSION
THE URBAN AGENCY OF THE CITY
SCHEDULE OF PROPERTY TAX TRANSACTION AND BALANCES OF TAXES
UNCOLLECTED
FOR THE YEAR ENDED JUNE 30, 2005**

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED JULY 1, 2004	DEDUCT DISCOUNTS	ADJUSTMENTS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED JUNE 30, 2005
ALL FUNDS						
Current:						
2004-2005	\$ 5,802,129	\$ 144,332	\$ (26,066)	\$ 2,561	\$ 5,506,390	\$ 127,902
Prior Years:						
2003-2004	140,828	(119)	(2,051)	5,733	110,016	34,614
2002-2003	32,744	(26)	(2,748)	2,824	21,296	11,550
2001-2002	15,007	(14)	(2,564)	2,131	11,028	3,560
2000-2001	5,419	(14)	(1,400)	1,266	4,624	675
1999-2000 & Prior	2,736	(28)	(811)	(85)	693	1,175
	<u>196,734</u>	<u>(201)</u>	<u>(9,574)</u>	<u>11,869</u>	<u>147,657</u>	<u>51,574</u>
	<u>\$ 5,998,863</u>	<u>\$ 144,131</u>	<u>\$ (35,640)</u>	<u>\$ 14,430</u>	<u>\$ 5,654,047</u>	<u>\$ 179,476</u>

FUND DISTRIBUTION:

Revenue:

Central Urban Renewal District Bond Sinking Fund	\$ 2,297,154
Leveton Tax Increment District Bond Sinking Fund	3,363,944
Accrual Adjustments	<u>(7,051)</u>
	<u>\$ 5,654,047</u>

Uncollected Taxes:

Central Urban Renewal District Bond Sinking Fund	\$ 75,103
Leveton Tax Increment District Bond Sinking Fund	<u>104,373</u>
	<u>\$ 179,476</u>

**REPORTS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
REQUIRED BY STATUTES**

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON THE AGENCY'S COMPLIANCE AND CERTAIN ITEMS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH OREGON AUDITING STANDARDS**

September 20, 2005

To the Board of Commissioners
City of Tualatin Development Commission -
The Urban Renewal Agency

We have audited the accompanying financial statements of the governmental activities, and each major fund of the City of Tualatin Development Commission - The Urban Renewal Agency of the City (the Agency) (a component unit of the City of Tualatin, Oregon) as of and for the year ended June 30, 2005 and have issued our report thereon dated September 20, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

- The accounting records and related internal control structure.
- The amount and adequacy of collateral pledged by depositories to secure the deposit of public funds.
- The requirements relating to debt.
- The requirements relating to the preparation, adoption and execution of the annual budgets for fiscal years 2005 and 2006.
- The requirements relating to insurance and fidelity bond coverage.
- The appropriate laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies.
- The requirements pertaining to the use of revenue from taxes on motor vehicle use fuel funds.
- The statutory requirements pertaining to the investment of public funds.
- The requirements pertaining to the awarding of public contracts and the construction of public improvements.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State except those noted below.

The results of our tests disclosed an instance of noncompliance relating to deposit of public funds in excess of collateralized limits.

Expenditures in Excess of Appropriations

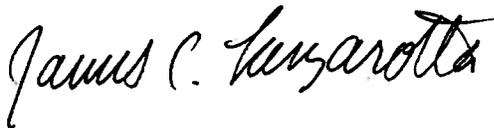
The results of our tests also disclosed an instance of noncompliance relating to over expenditure of budgeted appropriations on the following fund:

Urban Renewal Fund - Capital Outlay	\$ 1,740
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Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the of risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended for the information and use of management, City Council and the Secretary of State, Division of Audits, of the State of Oregon. However, this report is a matter of public record and its distribution is not limited.



For Moss Adams LLP
Certified Public Accountants