

**CITY OF TUALATIN, OREGON
DEVELOPMENT COMMISSION
AUDITOR'S REPORT AND
FINANCIAL STATEMENTS
Year Ended June 30, 2009**

Prepared by the City of Tualatin - Department of Finance

Don Hudson, Finance Director

CITY OF TUALATIN DEVELOPMENT COMMISSION
(A Component Unit of the City of Tualatin, Oregon)
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INTRODUCTORY SECTION

CITY OF TUALATIN DEVELOPMENT COMMISSION
(A Component Unit of the City of Tualatin, Oregon)

<i><u>Commissioners</u></i>	<i><u>Term Expires</u></i>
Lou Ogden, Mayor	December 31, 2010
Jay Harris, Position No. 1	December 31, 2010
Monique Belkman, Position No. 2	December 31, 2012
Donna Maddux, Position No. 3	December 31, 2010
Ed Truax, Position No. 4	December 31, 2012
Chris Barhyte, Council President, Position No. 5	December 31, 2010
Joelle Davis, Position No. 6	December 31, 2012

Administrative

Sherilyn Lombos, Administrator
Brenda Braden, City Attorney
Don Hudson, Finance Director

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

Commission members may be contacted at the above City Hall address.

FINANCIAL SECTION



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Tualatin Development Commission
18880 SW Martinazzi Avenue
Tualatin, Oregon 97062-0369

We have audited the accompanying financial statements of the governmental activities and each major fund of Tualatin Development Commission (a component unit of the City of Tualatin) as of and for the year ended June 30, 2009, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 opinions.

In our opinion, the financial statements referred to above present fairly and in all material respects, the respective financial position of the governmental activities and each major fund of Tualatin Development Commission as of June 30, 2009 and the respective changes in financial position and the respective budgetary comparisons for the Urban Redevelopment Administration Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis is not a required part of the basic financial statements, but is 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.

Our audit was made for the purpose of forming opinions 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 Commission. 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.

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

By: _____
Charles A. Swank, A Shareholder
December 30, 2009

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, 2009.

The purpose of this presentation is to comply with changes in governmental accounting standards (most notable, 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 \$43,579,277. Of this amount \$295,731 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net assets of the Tualatin Development Commission increased by \$4,352,575 in 2009. Revenues were less in 2009 as compared to 2008; the change in net assets is primarily due to the decrease in transfers to the City in 2009.
- At the end of the 2009 fiscal year, unreserved fund balance for the Urban Redevelopment Administration Fund is \$295,731 as compared to \$259,111 in 2008.
- The Tualatin Development Commission total debt for bonds, leases and loans decreased from \$1,970,000 in 2008 to \$1,000,000 in 2009. The decrease of debt is the result of payments on debt.

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

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

In addition, the total amount of the budgeted appropriations for expenditures is considered in terms of the revenue available to fund the expenditures and the type of expenditures competing for the same dollars.

Notes to the Financial Statements

The notes to the financial statements are an integral part of the financial statements. These notes not only provide additional detail, but also are required to fully understand the financial data as presented, as well as the financial condition of the Tualatin Development Commission as a whole. The notes offer information not only to lay readers and citizens, but also to those interested in a detailed study of the Commission's financial operations.

Government-wide Financial 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.

These statements provide both long-term and short-term information about the Commission'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, 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 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 that yearly budget decisions have on long-term goals.

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

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

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

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 is narrower than that of the government-wide financial statements, it is useful to compare the information, presented for *governmental funds*, with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Tualatin Development Commission consists of five funds: the Urban Redevelopment 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 government funds; the Urban Redevelopment Administration Fund is considered a special revenue fund, the two project funds are capital project funds that account for the urban renewal expenditures for construction of various projects and the two bond funds account for debt used to fund projects.

	<i>June 30,</i>	
	<i>2009</i>	<i>2008</i>
Assets:		
Current and other assets	\$ 17,251,863	\$ 19,370,126
Capital assets	27,775,332	23,616,018
Total assets	45,027,195	42,986,144
Liabilities:		
Long-term liabilities outstanding	1,000,000	1,970,000
Other liabilities	447,918	1,789,442
Total liabilities	1,447,918	3,759,442
Net Assets:		
Invested in capital assets, net of related debt	26,775,332	21,646,018
Restricted	16,508,214	17,321,573
Unrestricted	295,731	259,111
Total net assets	\$ 43,579,277	\$ 39,226,702

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 exceed liabilities by \$43,579,277 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.

Capital Assets 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 Statement section contains the capital asset activity for the year. All urban renewal districts have a defined life and are ended when the 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). \$580,080 was spent in the Central Urban Renewal District during 2008-2009, primarily for Commuter Rail and Tualatin-Sherwood Road landscape improvements. The rail station consists of a shelter, benches, bike facilities and public art. As part of the Washington County Commuter Rail Line, it serves the Interstate Five and Highway 217 Corridor and connects with the Tri-Met MAX light rail at Beaverton into Portland. Design work for the Tualatin-Sherwood Road landscape project was started and continues into 2009-2010. The project will provide pedestrian enhancements and landscape improvements between east of Martinazzi Avenue to Boones Ferry Road.

In the Leveton Tax Increment District, \$4,275,761 was expended for the extension of 124th Avenue from Myslon Street to Tualatin-Sherwood Road, design and improvements for Herman Road from 108th Avenue to 124th Avenue, and design and right-of-way acquisition for the Leveton Drive Extension project including SW 130th Avenue and SW 128th Avenue. These projects continue improvements of the transportation system in the industrial area of Tualatin consistent with the plan.

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, 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 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 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 are many:

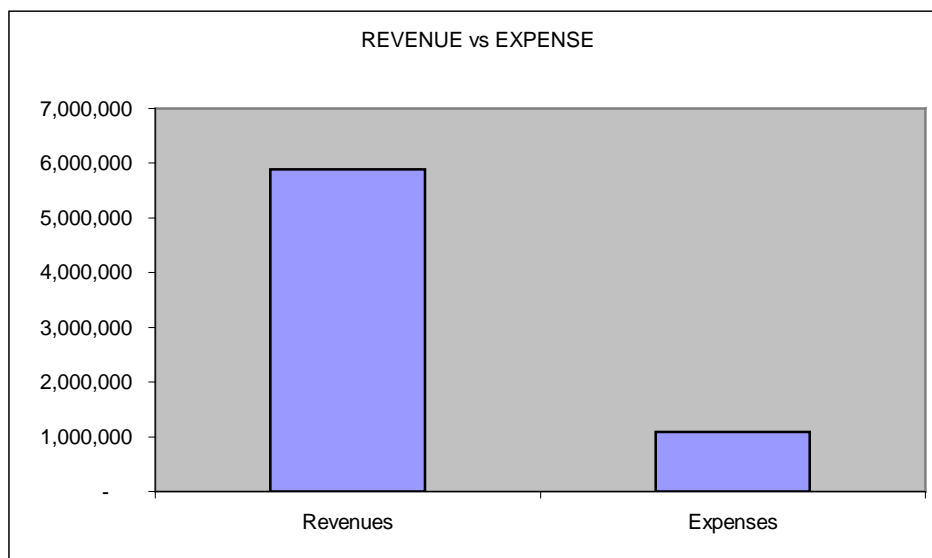
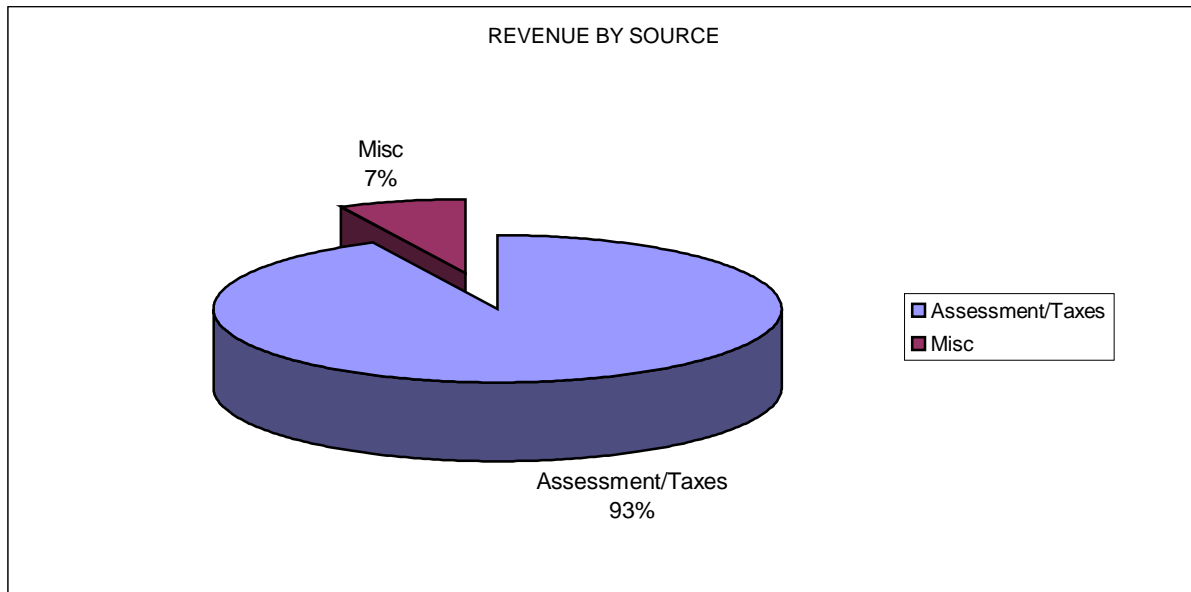
- Such projects, however necessary, translate into a drain on current, often inadequate resources, and are more likely to be clearly understood by the taxpayer as an increase in taxes for the same services.
- Urban renewal agencies’ projects are more clearly seen by citizens as “an improvement” for the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

	<i>Year Ended June 30,</i>	
	<i>2009</i>	<i>2008</i>
Revenues:		
Taxes and assessments	\$ 5,470,255	\$ 5,376,473
Miscellaneous	421,494	964,583
Total revenues	5,891,749	6,341,056
Expenses:		
General government	1,036,141	1,161,594
Interest on long-term debt	58,309	89,454
Total expenses	1,094,450	1,251,048
Revenue less expenses	4,797,299	5,090,008
Transfers	(444,724)	(4,572,551)
Change in net assets	4,352,575	517,457
Net Assets - beginning of the year	39,226,702	38,709,245
Net Assets - ending of the year	\$ 43,579,277	\$ 39,226,702

Summary of Revenues and Expenses by Source

During 2008-2009 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. Total revenues were \$5,891,749, with taxes and assessments representing \$5,470,255 or 93 percent of the revenue. Tax increment revenues represent growth in taxable valuation from a predetermined frozen base.
- Expenditures for 2008-09 were \$1,094,450, of which \$58,309 was attributed to interest payments on the long-term debt.



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

The Central Urban Renewal Project Fund ended with a increased ending balance of \$4,431,873, up from a beginning balance of \$3,232,308. This change is primarily because of lower capital expenditures in the fund for which reserves had been accumulated. Also, there was some delay of expenditures from the previous year.

The fund balance in the Leveton Tax District Project decreased in 2009 to \$10,432,970 from \$12,744,241 in 2008. As Leveton Tax Increment District is approaching the end of improvements to this area of the City, the rate of expenditures has slowed. All excess funds are retained in the project fund rather than the Leveton Bond Fund at the advice of counsel. When the District improvements are completed, any remaining funds will be returned to the assessor's office in accordance with Oregon law.

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 that are specified in the Leveton and Central Urban Renewal District Plans. Tax increment revenues pay for these projects. 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 project construction.

The ending fund balance in the Central Urban Renewal Bond Fund is lower in 2009 than it was in 2008 for several reasons:

- It is the policy of the commission to retain as little cash as 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 is accumulated 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, so that this bank no longer required that reserves be budgeted.

Debt Administration

Bond activity for the Tualatin Development Commission is illustrated below:

	<i><u>Beginning Balance</u></i>	<i><u>Additions</u></i>	<i><u>Reductions</u></i>	<i><u>Ending Balance</u></i>	<i><u>Due Within One Year</u></i>
Leveton Intermediate Financing, Series 2003	\$ 1,440,000	\$ -	\$ (710,000)	\$ 730,000	\$ 730,000
Central Urban Renewal, Series B 2004	530,000	-	(260,000)	270,000	270,000
Short-term bonds	-	4,253,703	(4,253,703)	-	-
Total	<u>\$ 1,970,000</u>	<u>\$ 4,253,703</u>	<u>\$ (5,223,703)</u>	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>

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

- The Development Commission continues to use short-term bonds to move funds to the project 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 2008-09, Central Urban Renewal sold and redeemed one short-term bond for \$2,003,703 and one for Leveton in the amount of \$2,250,000. There is no liability on the books for such bonds at year-end.

Economic Factors and Next Year's Budget

The City of Tualatin is approaching residential build-out. However, in the near term, this is not a problem since other development produces greater revenue in relation to the services required. High-end retail development has been stimulated by Bridgepoint Village, a 100,000 square foot lifestyle retail center.

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 a request for additional financial information should be addressed to the Finance Director, City of Tualatin, 18880 S.W. Martinazzi Avenue, Tualatin, Oregon, 97092-7092.

BASIC FINANCIAL STATEMENTS

CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
STATEMENT OF NET ASSETS
JUNE 30, 2009

ASSETS

Cash and investments	\$ 16,998,893
Accounts receivable	10
Property taxes receivable	252,960
Capital assets	
Land	7,685,052
Construction in progress	8,608,985
Infrastructure and other depreciable assets	14,717,797
Accumulated depreciation	(3,236,502)
<i>Total Capital Assets</i>	<u>27,775,332</u>
<i>Total Assets</i>	45,027,195

LIABILITIES

Accounts payable	361,973
Deposits	60,000
Retainage payable	25,945
Long-term liabilities:	
Due within one year	<u>1,000,000</u>
<i>Total Liabilities</i>	1,447,918

NET ASSETS

Invested in capital, net of related debt	26,775,332
Restricted for debt service	1,643,371
Restricted for capital projects	14,864,843
Unrestricted	<u>295,731</u>
<i>Total Net Assets</i>	<u><u>\$43,579,277</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	<u>Expenditures</u>	<u>Net (Expenditure) Revenue and Changes in Net Assets</u>
<i>Governmental activities:</i>		
General government	\$ 1,036,141	\$ (1,036,141)
Interest on long-term debt	58,309	(58,309)
	<hr/>	<hr/>
<i>Total Governmental Activities</i>	<u>\$ 1,094,450</u>	(1,094,450)
 <i>General Revenues:</i>		
Taxes and assessments		5,470,255
Miscellaneous		421,494
		<hr/>
<i>Total General Revenues</i>		5,891,749
 Transfers to the City of Tualatin, net		(444,724)
		<hr/>
<i>Change in net assets</i>		4,352,575
 <i>Net assets, beginning of year</i>		39,226,702
		<hr/>
<i>Net assets, end of year</i>		<u>\$ 43,579,277</u>

The accompanying notes are an integral part of the financial statements.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

MAJOR GOVERNMENTAL FUNDS

Urban Redevelopment Administration 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 Fund - accounts for property taxes received within the Central Urban Renewal area for the payment of principal and interest on the Agency's tax increment debt.

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

Central Urban Renewal District Project 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 Central Urban Renewal Agency's boundary and payment of nonbonded indebtedness.

Leveton Tax Increment District Project 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
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2009

	<i>Urban Redevelopment Administration</i>	<i>Central Urban Renewal District Bond</i>	<i>Leveton Tax Increment District Bond</i>
<i>ASSETS</i>			
Cash and investments	\$ 307,816	\$ 443,088	\$ 1,009,793
Accounts receivable	10	-	-
Property taxes receivable	-	99,848	153,112
Land	-	-	-
Construction in progress	-	-	-
Infrastructure	-	-	-
Accumulated depreciation	-	-	-
<i>Total Assets</i>	<u>\$ 307,826</u>	<u>\$ 542,936</u>	<u>\$ 1,162,905</u>
<i>LIABILITIES</i>			
Accounts payable	\$ 4,569	\$ 1,234	\$ 1,236
Deposits	-	60,000	-
Retainage payable	7,526	-	-
Deferred revenue	-	87,061	133,502
Long-term liabilities			
Due within one year	-	-	-
<i>Total Liabilities</i>	<u>12,095</u>	<u>148,295</u>	<u>134,738</u>
<i>FUND BALANCES</i>			
Unreserved, reported in			
General fund	295,731	-	-
Debt service funds	-	394,641	1,028,167
Capital projects funds	-	-	-
Net assets	-	-	-
<i>Total Fund Balances</i>	<u>295,731</u>	<u>394,641</u>	<u>1,028,167</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 307,826</u>	<u>\$ 542,936</u>	<u>\$ 1,162,905</u>

<i>Central Urban Renewal District Project</i>	<i>Leveton Tax Increment District Project</i>	<i>Total</i>	<i>Adjustments</i>	<i>Statement of Net Assets</i>
\$ 4,450,553	\$ 10,787,643	\$ 16,998,893	\$ -	\$ 16,998,893
-	-	10	-	10
-	-	252,960	-	252,960
-	-	-	7,685,052	7,685,052
-	-	-	8,608,985	8,608,985
-	-	-	14,717,797	14,717,797
-	-	-	(3,236,502)	(3,236,502)
<u>\$ 4,450,553</u>	<u>\$ 10,787,643</u>	<u>\$ 17,251,863</u>	<u>\$ 27,775,332</u>	<u>\$ 45,027,195</u>
\$ 18,680	\$ 336,254	\$ 361,973	\$ -	\$ 361,973
-	-	60,000	-	60,000
-	18,419	25,945	-	25,945
-	-	220,563	(220,563)	-
-	-	-	1,000,000	1,000,000
<u>18,680</u>	<u>354,673</u>	<u>668,481</u>	<u>779,437</u>	<u>1,447,918</u>
-	-	295,731	(295,731)	-
-	-	1,422,808	(1,422,808)	-
4,431,873	10,432,970	14,864,843	(14,864,843)	-
-	-	-	43,579,277	43,579,277
<u>4,431,873</u>	<u>10,432,970</u>	<u>16,583,382</u>	<u>26,995,895</u>	<u>43,579,277</u>
<u>\$ 4,450,553</u>	<u>\$ 10,787,643</u>	<u>\$ 17,251,863</u>	<u>\$ 27,775,332</u>	<u>\$ 45,027,195</u>

The accompanying notes are an integral part of the financial statements.

CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

Fund Balances \$ 16,583,382

Amounts reported 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 funds.

Land	7,685,052
Construction in progress	8,608,985
Infrastructure and other depreciable assets	14,717,797
Accumulated depreciation	(3,236,502)

Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred revenue in the funds 220,563

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

Payable within one year	(1,000,000)
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Net Assets \$ 43,579,277

The accompanying notes are an integral part of the financial statements.

CITY OF TUALATIN DEVELOPMENT COMMISSION**THE URBAN RENEWAL AGENCY OF THE CITY****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -****GOVERNMENTAL FUNDS****YEAR ENDED JUNE 30, 2009**

	<i>Urban Redevelopment Administration</i>	<i>Central Urban Renewal District Bond</i>	<i>Leveton Tax Increment District Bond</i>
REVENUES			
Taxes and assessments	\$ -	\$ 2,149,974	\$ 3,296,864
Miscellaneous	6,581	49,372	71,903
<i>Total Revenues</i>	6,581	2,199,346	3,368,767
EXPENDITURES			
Current			
General government	274,467	5,339	5,832
Debt service			
Principal	-	2,263,703	2,960,000
Interest	-	16,346	41,963
Capital outlay	-	-	-
<i>Total Expenditures</i>	274,467	2,285,388	3,007,795
REVENUES OVER (UNDER) EXPENDITURES	(267,886)	(86,042)	360,972
OTHER FINANCING SOURCES (USES)			
Issuance of short-term debt	-	-	-
Transfers in	500,000	-	-
Transfers out	(195,494)	-	-
<i>Total Other Financing Sources (Uses)</i>	304,506	-	-
NET CHANGE IN FUND BALANCE	36,620	(86,042)	360,972
Fund balance / net assets			
Beginning of the year	259,111	480,683	667,195
End of the year	\$ 295,731	\$ 394,641	\$ 1,028,167

<i>Central Urban Renewal District Project</i>	<i>Leveton Tax Increment District Project</i>	<i>Total Governmental Funds</i>	<i>Adjustments</i>	<i>Statement of Activities</i>
\$ - 68,877	\$ - 224,761	\$ 5,446,838 421,494	\$ 23,417 -	\$ 5,470,255 421,494
68,877	224,761	5,868,332	23,417	5,891,749
24,135	-	309,773	726,368	1,036,141
-	-	5,223,703	(5,223,703)	-
-	-	58,309	-	58,309
582,880	4,302,802	4,885,682	(4,885,682)	-
607,015	4,302,802	10,477,467	(9,383,017)	1,094,450
(538,138)	(4,078,041)	(4,609,135)	9,406,434	4,797,299
2,003,703	2,250,000	4,253,703	(4,253,703)	-
-	-	500,000	-	500,000
(266,000)	(483,230)	(944,724)	-	(944,724)
1,737,703	1,766,770	3,808,979	(4,253,703)	(444,724)
1,199,565	(2,311,271)	(800,156)	5,152,731	4,352,575
3,232,308	12,744,241	17,383,538	21,843,164	39,226,702
\$ 4,431,873	\$ 10,432,970	\$ 16,583,382	\$ 26,995,895	\$ 43,579,277

The accompanying notes are an integral part of the financial statements.

CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

<i>Net Change in Fund Balance</i>	\$ (800,156)
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Amounts reported in the Statement of Activities are different because:

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	23,417
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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	4,855,840
Depreciation expense	(696,526)

The issuance of long-term debt provides 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.

Payments of long-term debt	970,000
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<i>Change in Net Assets</i>	<u><u>\$ 4,352,575</u></u>
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The accompanying notes are an integral part of the financial statements.

CITY OF TUALATIN DEVELOPMENT COMMISSION**THE URBAN RENEWAL AGENCY OF THE CITY****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND****ACTUAL – URBAN REDEVELOPMENT ADMINISTRATION FUND****JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ 8,764	\$ 8,764	\$ 6,581	\$ (2,183)
EXPENDITURES				
Personal services	245,346	245,346	233,826	11,520
Materials and services	58,584	58,584	40,641	17,943
Contingency	259,736	259,736	-	259,736
<i>Total Expenditures</i>	<u>563,666</u>	<u>563,666</u>	<u>274,467</u>	<u>289,199</u>
REVENUES OVER (UNDER) EXPENDITURES	(554,902)	(554,902)	(267,886)	287,016
OTHER FINANCING SOURCES (USES)				
Transfers in	500,000	500,000	500,000	-
Transfers out	(195,494)	(195,494)	(195,494)	-
<i>Total Other Financing Sources (Uses)</i>	<u>304,506</u>	<u>304,506</u>	<u>304,506</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(250,396)	(250,396)	36,620	287,016
BEGINNING FUND BALANCE	<u>250,396</u>	<u>250,396</u>	<u>259,111</u>	<u>8,715</u>
ENDING FUND BALANCE	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 295,731</u></u>	<u><u>\$ 295,731</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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 activities of the Agency). For the most part, the effect of interfund activity has been removed from these statements.

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.

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 judgment, are recorded only when payment is due.

The Agency reports the following major governmental funds:

Urban Redevelopment Administration Fund
Central Urban Renewal District Bond Fund
Leveton Tax Increment District Bond Fund
Central Urban Renewal District Project Fund
Leveton Tax Increment District Project Fund

CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

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

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

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 with the City of Tualatin 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.

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

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)". Activity between Tualatin Development Commission and other governments are entitled "due to/from other governments.

7. Prepaid Items

Payments made to vendors that will benefit periods beyond June 30, 2009, are recorded as prepaid 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 donations.

CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

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

8. Capital Assets (continued)

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

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

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

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 government activities. Bond premium and discounts are defined 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.

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. Uses 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 estimated.

CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

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 appropriation 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.

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:

<i>Cash</i>	
Deposits with financial institutions	\$ (1,386,612)
<i>Investments</i>	
Local Government Investment Pool	18,385,505
	<hr/>
	\$ 16,998,893
	<hr/> <hr/>

Deposits

At year end, the book balance of the Commission's bank deposits (checking accounts) was (\$1,386,612) and the bank balance was \$9,667. The difference is due to transactions in process. Deposits are secured to legal limits by federal deposit insurance (generally \$250,000 per financial institution). The remaining amount is secured in accordance with ORS 295 under a collateral program administered by the Oregon State Treasurer.

Investments

At year-end, all of the Commission's investments were in the Local Government Investment Pool, an external investment pool. The Commission may 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.

CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE C - CASH AND INVESTMENTS (Continued)

Credit Risk

State statutes authorize the Commission 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, 2009, was unqualified. The LGIP is not subject to credit rating.

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).

NOTE D – PROPERTY TAX RECEIVABLES

Receivables at June 30, 2009, consist of the following:

Central Urban Renewal District Bond Fund	\$ 99,848
Leveton Tax Increment Bond Fund	153,112
	<hr/>
	\$ 252,960
	<hr/> <hr/>

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:

Central Urban Renewal District Bond Fund	\$ 87,061
Leveton Tax Increment Bond Fund	133,502
	<hr/>
	\$ 220,563
	<hr/> <hr/>

CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
NOTES TO FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2009

NOTE E - INTERFUND TRANSFERS

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

<i>Transfers to:</i>	<i>Transfers from</i>			<i>Total</i>
	<i>Urban Redevelopment Administration</i>	<i>Central Urban Renewal District Bond Project</i>	<i>Leveton Tax Increment District Bond Project</i>	
Urban Redevelopment	\$ -	\$ 255,000	\$ 245,000	\$ 500,000
City of Tualatin	195,494	11,000	238,230	444,724
	<u>\$ 195,494</u>	<u>\$ 266,000</u>	<u>\$ 483,230</u>	<u>\$ 944,724</u>

In the fund financial statements, total transfers out do not equal transfers in due to transfers made with the primary government.

NOTE F - CAPITAL ASSETS

Capital asset activity for the ended June 30, 2009, was as follows:

	<i>Beginning Balance</i>	<i>Additions/ Adjustments</i>	<i>Deletions</i>	<i>Ending Balance</i>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 7,305,654	\$ 379,398	\$ -	\$ 7,685,052
Construction in progress	4,897,400	4,476,442	(764,857)	8,608,985
<i>Total capital assets, not being depreciated</i>	12,203,054	4,855,840	(764,857)	16,294,037
Capital assets, being depreciated:				
Improvements other than buildings	611,572	764,857	-	1,376,429
Infrastructure	13,341,368	-	-	13,341,368
	13,952,940	764,857	-	14,717,797
Less accumulated depreciation for:				
Infrastructure and other assets	(2,539,976)	(696,526)	-	(3,236,502)
<i>Total capital assets, being depreciated net</i>	11,412,964	68,331	-	11,481,295
<i>Governmental activities capital assets, net</i>	<u>\$ 23,616,018</u>	<u>\$ 4,924,171</u>	<u>\$ (764,857)</u>	<u>\$ 27,775,332</u>

The beginning accumulated depreciation has been increased by \$725,210 to correct an error in prior years.

CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE G - LONG-TERM DEBT

Urban renewal and redevelopment bond

Outstanding Central Urban renewal bonds include the 2004 Bond which consisted of two parts: Part A refunded the 1987 Bond which paid for land acquisition, relocation and clearance for the town center. This bond reached 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, 2009, was \$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 Intermediate Financing (original amount of \$4,085,000) with an outstanding balance of \$730,000 at June 30, 2009. The bond has an interest rate of 2.9% and final maturity in June 2010. The proceeds from this financing are being used for improvements of infrastructure at 124th from S.W. Leveton to S.W. Myslony.

Long-term liability activity for the year ended June 30, 2009, was as follows:

	<u><i>Beginning Balance</i></u>	<u><i>Additions</i></u>	<u><i>Reductions</i></u>	<u><i>Ending Balance</i></u>	<u><i>Due Within One Year</i></u>
Leveton Intermediate Financing, Series 2003	\$ 1,440,000	\$ -	\$ (710,000)	\$ 730,000	\$ 730,000
Central Urban Renewal, Series B 2004	530,000	-	(260,000)	270,000	270,000
Short-term bonds	-	4,253,703	(4,253,703)	-	-
Total	<u>\$ 1,970,000</u>	<u>\$ 4,253,703</u>	<u>\$ (5,223,703)</u>	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>

Debt service requirements to maturity are as follows:

<i>Fiscal Year Ending June 30,</i>	<u><i>Principal</i></u>	<u><i>Interest</i></u>	<u><i>Total</i></u>
2010	<u>\$ 1,000,000</u>	<u>\$ 29,405</u>	<u>\$ 1,029,405</u>

CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

NOTE G - LONG-TERM DEBT (Continued)

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.

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, 2009.

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 \$2,562,267 of commitments for unfinished capital projects at June 30, 2009.

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 of 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. Oregon Ballot Measure 56 repealed the double majority requirement passed by voters in the 1990's which required, for non-general elections, that all bond measures could pass only when a majority of those registered voted. Voters may approve local initiatives above the fixed rate and they shall be decided by a majority of voters who are voting in the relevant election.

BUDGETARY COMPARISON SCHEDULES STATEMENTS

Pursuant to the provision of Oregon Revised Statute 297.465, Oregon Administrative Rule No. 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 No. 34, the Agency's General Fund and any major special revenue funds 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 AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS**

Debt Service Funds

- * Central Urban Renewal District Bond Fund
- * Leveton Tax Increment District Bond Fund

Capital Project Funds

- * Central Urban Renewal District Project Fund
- * Leveton Tax Increment District Project Fund

CITY OF TUALATIN DEVELOPMENT COMMISSION**THE URBAN RENEWAL AGENCY OF THE CITY****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -****BUDGET AND ACTUAL - CENTRAL URBAN RENEWAL DISTRICT BOND FUND****YEAR ENDED JUNE 30, 2009**

	<i>Budgeted Amounts</i>			<i>Variance with</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Final Budget</i>
REVENUES				
Taxes and assessments	\$ 2,231,402	\$ 2,231,402	\$ 2,149,974	\$ (81,428)
Miscellaneous	13,905	13,905	49,372	35,467
<i>Total Revenues</i>	2,245,307	2,245,307	2,199,346	(45,961)
EXPENDITURES				
Materials and services	7,200	7,200	5,339	1,861
Debt service				
Principal	2,263,703	2,263,703	2,263,703	-
Interest	18,665	18,665	16,346	2,319
<i>Total Expenditures</i>	2,289,568	2,289,568	2,285,388	4,180
NET CHANGE IN FUND BALANCE	(44,261)	(44,261)	(86,042)	(41,781)
BEGINNING FUND BALANCE	317,293	317,293	480,683	163,390
ENDING FUND BALANCE	\$ 273,032	\$ 273,032	\$ 394,641	\$ 121,609

CITY OF TUALATIN DEVELOPMENT COMMISSION**THE URBAN RENEWAL AGENCY OF THE CITY****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -****BUDGET AND ACTUAL - LEVETON TAX INCREMENT DISTRICT BOND FUND****YEAR ENDED JUNE 30, 2009**

	<i>Budgeted Amounts</i>			<i>Variance with</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Final Budget</i>
<i>REVENUES</i>				
Taxes and assessments	\$ 3,509,670	\$ 3,509,670	\$ 3,296,864	\$ (212,806)
Miscellaneous	40,188	40,188	71,903	31,715
<i>Total Revenues</i>	3,549,858	3,549,858	3,368,767	(181,091)
<i>EXPENDITURES</i>				
Materials and services	9,000	9,000	5,832	3,168
Debt service				
Principal	3,510,000	3,510,000	2,960,000	550,000
Interest	43,760	43,760	41,963	1,797
<i>Total Expenditures</i>	3,562,760	3,562,760	3,007,795	554,965
<i>NET CHANGE IN FUND BALANCE</i>	(12,902)	(12,902)	360,972	373,874
<i>BEGINNING FUND BALANCE</i>	1,031,097	1,031,097	667,195	(363,902)
<i>ENDING FUND BALANCE</i>	<u>\$ 1,018,195</u>	<u>\$ 1,018,195</u>	<u>\$ 1,028,167</u>	<u>\$ 9,972</u>

CITY OF TUALATIN DEVELOPMENT COMMISSION**THE URBAN RENEWAL AGENCY OF THE CITY****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -****BUDGET AND ACTUAL - CENTRAL URBAN RENEWAL DISTRICT PROJECT FUND****YEAR ENDED JUNE 30, 2009**

	<i>Budgeted Amounts</i>			<i>Variance with</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Final Budget</i>
REVENUES				
Miscellaneous	\$ 94,737	\$ 94,737	\$ 68,877	\$ (25,860)
EXPENDITURES				
Materials and services	170,562	170,562	24,135	146,427
Capital outlay	4,141,670	4,141,670	582,880	3,558,790
Contingency	300,000	300,000	-	300,000
<i>Total Expenditures</i>	<u>4,612,232</u>	<u>4,612,232</u>	<u>607,015</u>	<u>4,005,217</u>
REVENUES OVER (UNDER)				
EXPENDITURES	(4,517,495)	(4,517,495)	(538,138)	3,979,357
OTHER FINANCING SOURCES (USES)				
Issuance of debt	2,003,703	2,003,703	2,003,703	-
Transfers out	(266,000)	(266,000)	(266,000)	-
<i>Total Other Financing Sources (Uses)</i>	<u>1,737,703</u>	<u>1,737,703</u>	<u>1,737,703</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(2,779,792)	(2,779,792)	1,199,565	3,979,357
BEGINNING FUND BALANCE	<u>3,026,775</u>	<u>3,026,775</u>	<u>3,232,308</u>	<u>205,533</u>
ENDING FUND BALANCE	<u><u>\$ 246,983</u></u>	<u><u>\$ 246,983</u></u>	<u><u>\$ 4,431,873</u></u>	<u><u>\$ 4,184,890</u></u>

CITY OF TUALATIN DEVELOPMENT COMMISSION**THE URBAN RENEWAL AGENCY OF THE CITY****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -****BUDGET AND ACTUAL - LEVETON TAX INCREMENT DISTRICT PROJECT FUND****YEAR ENDED JUNE 30, 2009**

	<i>Budgeted Amounts</i>			<i>Variance with</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Final Budget</i>
REVENUES				
Miscellaneous	\$ 374,952	\$ 374,952	\$ 224,761	\$ (150,191)
EXPENDITURES				
Materials and services	10,000	10,000	-	10,000
Capital outlay	13,810,000	13,810,000	4,302,802	9,507,198
Contingency	300,000	300,000	-	300,000
<i>Total Expenditures</i>	<u>14,120,000</u>	<u>14,120,000</u>	<u>4,302,802</u>	<u>9,817,198</u>
REVENUES OVER (UNDER)				
EXPENDITURES	(13,745,048)	(13,745,048)	(4,078,041)	9,667,007
OTHER FINANCING SOURCES (USES)				
Issuance of debt	2,800,000	2,800,000	2,250,000	(550,000)
Transfers out	(483,230)	(483,230)	(483,230)	-
<i>Total Other Financing Sources (Uses)</i>	<u>2,316,770</u>	<u>2,316,770</u>	<u>1,766,770</u>	<u>(550,000)</u>
NET CHANGE IN FUND BALANCE	(11,428,278)	(11,428,278)	(2,311,271)	9,117,007
BEGINNING FUND BALANCE	<u>11,722,908</u>	<u>11,722,908</u>	<u>12,744,241</u>	<u>1,021,333</u>
ENDING FUND BALANCE	<u><u>\$ 294,630</u></u>	<u><u>\$ 294,630</u></u>	<u><u>\$ 10,432,970</u></u>	<u><u>\$ 10,138,340</u></u>

OTHER FINANCIAL SCHEDULES

CITY OF TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES OF TAXES UNCOLLECTED
JUNE 30, 2009

<i>Tax Year</i>	<i>Uncollected July 1, 2008</i>	<i>Levy as Extended by Assessor</i>	<i>Discounts</i>	<i>Interest</i>	<i>Adjustments</i>	<i>Collections</i>	<i>Uncollected June 30, 2009</i>
Current:							
2008-09	\$ -	\$ 5,664,741	\$(141,037)	\$ 1,949	\$ (10,959)	\$ (5,337,006)	\$ 177,688
Prior years:							
2007-08	137,910	-	196	5,293	(9,051)	(87,223)	47,125
2006-07	34,760	-	47	2,645	(1,983)	(17,992)	17,477
2005-06	13,911	-	35	2,179	(1,241)	(9,648)	5,236
2004-05	6,099	-	8	1,135	(424)	(4,433)	2,385
Prior	4,322	-	3	408	(575)	(1,109)	3,049
	<u>197,002</u>	<u>-</u>	<u>289</u>	<u>11,660</u>	<u>(13,274)</u>	<u>(120,405)</u>	<u>75,272</u>
	<u>\$ 197,002</u>	<u>\$ 5,664,741</u>	<u>\$(140,748)</u>	<u>\$ 13,609</u>	<u>\$ (24,233)</u>	<u>\$ (5,457,411)</u>	<u>\$ 252,960</u>

**REPORTS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
OTHER FINANCIAL SCHEDULES**

TUALATIN DEVELOPMENT COMMISSION

AUDITOR'S COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

YEAR ENDED JUNE 30, 2009

STATE OF OREGON COMPLIANCE SECTION

Oregon Administrative Rules 162-10-050 through 162-10-320 incorporated in the Minimum Standards for Audits of Oregon Municipal Corporations, 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 as follows.

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Tualatin Development Commission (the Commission), as of and for the year ended June 30, 2009, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated December 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Significant Accounting Policies

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

Organization and Fund Structure

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

Internal Accounting Control

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

TUALATIN DEVELOPMENT COMMISSION

AUDITOR'S COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS (Continued) ***YEAR ENDED JUNE 30, 2009***

STATE OF OREGON COMPLIANCE SECTION (Continued)

Adequacy of Accounting Records

The Commission's accounting records were reasonably maintained and adequate to support our audit of the basic financial statements.

Indebtedness

The general obligation bonded debt of the Commission 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 Commission's liabilities, and no breach of the bond agreements, at June 30, 2009.

Adequacy of Collateral Securing Depository Balances

The City has complied with Oregon Revised Statutes Chapter 295 in relation to deposit accounts.

Budget Compliance

The Commission appears to have complied with Local Budget Law (ORS 294.305 to 294.520) in the preparation, adoption and execution of its budget and tax levy for the year ended June 30, 2009, and the preparation and adoption of its budget for the year ending June 30, 2010.

Insurance and Fidelity Bonds

We have reviewed the Commission's insurance and fidelity bond coverage at June 30, 2009. We ascertained that such policies appeared to be in force and in compliance with legal requirements relating to insurance and fidelity bond coverage.

Public Contracting and Purchasing

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

Programs Funded from Outside Sources

We have reviewed the Commission's compliance with appropriate laws, rules, and regulations pertaining to programs funded wholly or partially by other governmental agencies. The Commission 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.

Highway Funds

The Commission did not receive any funds under Article IX, Section 3a of the Oregon Constitution pertaining to the use of revenue from taxes on motor vehicle fuel.

TUALATIN DEVELOPMENT COMMISSION

AUDITOR'S COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS (Continued)
YEAR ENDED JUNE 30, 2009

STATE OF OREGON COMPLIANCE SECTION (Continued)

Investments

Our review of deposit and investment balances indicated that the Commission was in compliance with ORS 294, as it pertains to investment of public funds, during the year ended June 30, 2009.

This report is intended for the information and use of the Board of Commissioners and management of the Tualatin Development Commission and is not intended and should not be used by anyone other than those specified parties.

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

By: _____
Charles A. Swank, A Shareholder

December 30, 2009