

CITY OF TUALATIN, OREGON
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For The Year Ended June 30, 2005

Prepared by the City of Tualatin - Department of Finance

Nancy Gritta, Finance Director

City of Tualatin

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2005

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INTRODUCTORY SECTION

CITY OF TUALATIN, OREGON

JUNE 30, 2005

CITY COUNCIL

Lou Ogden, Mayor

Jay Harris

Mike Gillespie

Chris Bergstrom

Ed Truax

Chris Barhyte

Bob Boryska

TERM EXPIRES

December 31, 2006

December 31, 2006

December 31, 2008

December 31, 2006

December 31, 2008

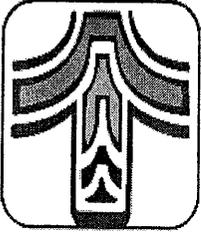
December 31, 2006

December 31, 2008

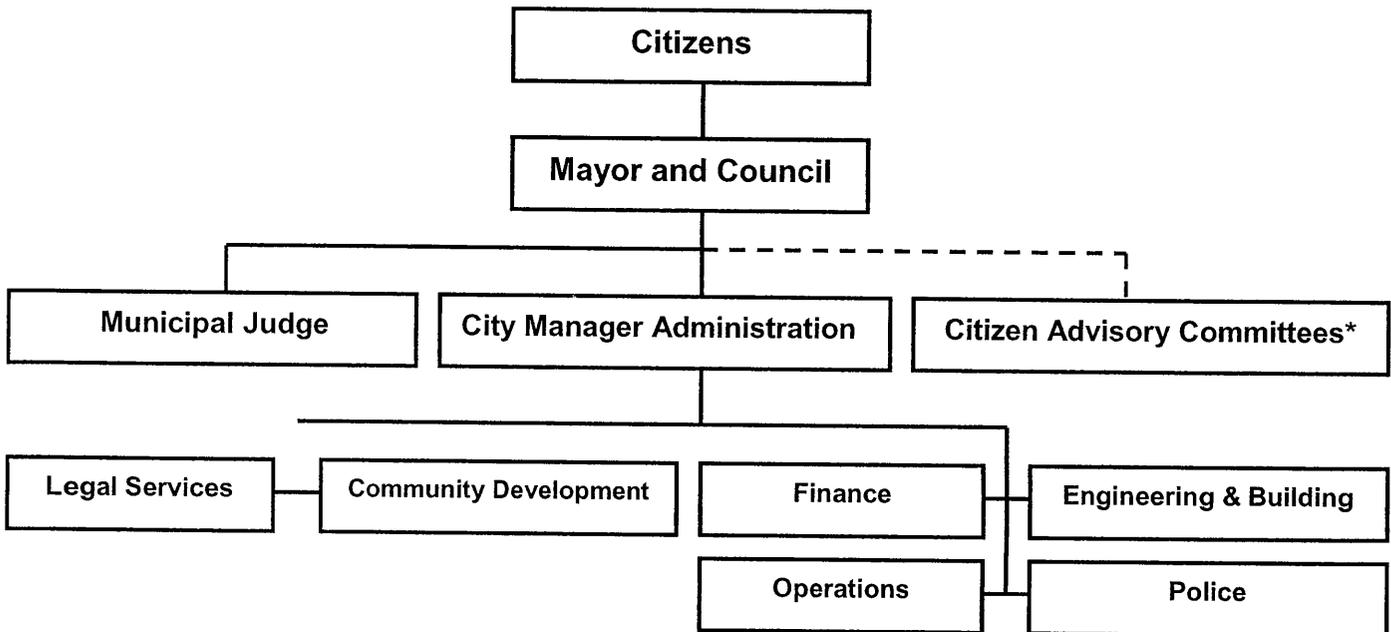
ADMINISTRATIVE

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

City Hall
18880 SW Martinazzi Avenue
Tualatin, Oregon 97062



City of Tualatin Organization



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



City of Tualatin

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

December 30, 2005

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

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements, presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Tualatin for the fiscal year ended June 30, 2005.

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

Moss-Adams LLP, a firm of licensed certified public accountants, has audited the City of Tualatin's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Tualatin for the fiscal year ended June 30, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Tualatin's financial statements for the fiscal year ended June 30, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the City of Tualatin

The City of Tualatin, incorporated in 1913, is located in Northwestern Oregon in the Portland metropolitan area, in the counties of Washington and Clackamas, just twelve minutes south of Portland's city center. The City of Tualatin currently occupies a land area of 7.9 square miles and serves a population of 24,790. The City of Tualatin is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

The City's population estimated at 25,314 for 2004-05 and is expected to increase to 25,702 as of July 1, 2006, and will increase approximately 1.5% per year to 2014.

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

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

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

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

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

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

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City exists.

Tualatin as part of the greater Portland area is still recovering from the recession of 2001 that greatly affected the three counties surrounding the greater Portland area. Tualatin has been able to withstand, better than many cities, economic stress because of its balance between industrial, residential, & retail development.

Tualatin has a relatively low permanent tax rate of only 2.26 per thousand of taxable assessed value. This rate can not be raised without a vote of the people. Its stability has been maintained partially by the City's increasing assessed valuation, as well as by the fact the City is a balanced community with residential, commercial, industrial and retail property. Tualatin continues to seek high quality, well-planned development.

The City has continued to maintain services and improve livability by being proactive in dealing with these issues. For example; during fiscal 2004-05, some examples of issues to which the City devoted resources, time, and planning that will affect future livability issues include:

- Securing the City's future water system by approving financing for the first capital development project—approving the sale of a bond to finance a \$7,000,000+ bond for water system improvements, including construction of a five million gallon reservoir and retrofitting four existing water reservoirs and three pump stations to meet current seismic loading standards. (This bond was sold in early 2005-06).

- The City passed an \$8,010,000 bond for parks and library improvements. The parks' portion of this measure was started in 2004-05. The library portion will not be addressed until a plan for funding the additional operating costs of a larger library are developed.
- The City moved forward with plans to implement the Tualatin Tomorrow Community Visioning Plan to begin in 2005-06. This process will have an anticipated timeline of 14-16 months with a tentative ending date of April 30, 2007.
- The City opened a new high-end 100,000 square foot lifestyle shopping center which is directly adjacent to I/5 the state's major North-South freeway.

Challenges to City initiatives, which will affect these and other projects and will be continue to be strong factors affecting financial condition.

1. Though in recovery, Portland's economy at this writing still lags the national trend. Tualatin's proximity to Portland means the city is bound to be somewhat affected. The State has historically been over-invested in two industries—forest products and high tech. However, the State and the Portland area, have again been growing and diversifying its economy.
2. Voter ballot initiatives in the State have been a factor in affecting how the State's cities operate. The passing of initiatives, which limit taxes that may be levied, has affected Tualatin, as it has other cities in the State. The amount that local government may levy for operations is \$10 per thousand of assessed value and must be shared among all units of the government. Each City in the State has been a permanent tax rate and Tualatin's rate at 2.26 is relatively low compared to surrounding cities. Tualatin has fared better than many other cities in the State by vigilant attention to development and conservative budgeting, have allowed the City to maintain the current service level.
3. Continued demands for improved infrastructure particularly for maintenance of water supply to meet population needs and improvements to deal with City and regional traffic problems.

Cash management policies and practices

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

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

Risk Management

The City participates in a worker's compensation self insurance pool along with more than 250 other cities and counties in Oregon. The pool is administered by the City/County Insurance Services Trust (CCIS). The City has a comprehensive safety training policy that emphasizes risk control. Tualatin also participates in property/liability pool administered by CCIS. Approximately 80 percent of Oregon cities and one half of Oregon counties are served by CCIS in this capacity.

Pension and other post-employment benefits

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

Awards and Acknowledgements

The Government Finance Officers Association awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Tualatin for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2004. This was the 13th consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both the GAAP and applicable legal requirements.

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

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

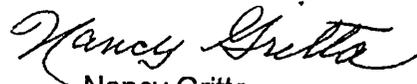
December 30, 2005
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The preparation of this report would not have been possible without the dedicated hard work of the Finance Department Staff. A special note of appreciation is given to our auditors, particularly Annamarie McNeil, James C. Lanzarotta, and Mary Case.

Respectfully submitted,



Steve Wheeler
City Manager



Nancy Gritta
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Tualatin,
Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

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



Nancy L. Zielke

President

Jeffrey R. Emer

Executive Director

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the City Council
Tualatin, Oregon

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tualatin, Oregon, as of and for the year ended June 30, 2005, which collectively comprise the City of Tualatin's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Tualatin's management. Our responsibility is to express an opinion on these financial statements based on our audit.

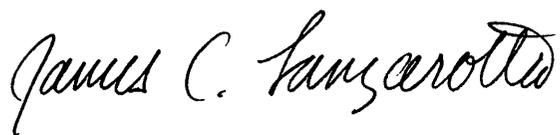
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tualatin, Oregon, as of June 30, 2005, and the respective changes in financial position and cash flows thereof, where applicable, 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 5 through 18 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, 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Tualatin, Oregon's basic financial statements. The introductory section, combining and individual non-major fund financial statements, other financial schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary comparison statements on pages 31 and 32, combining and individual non-major fund financial statements have 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. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

September 20, 2005

A handwritten signature in black ink that reads "James C. Lanzarotto". The signature is written in a cursive style with a large, prominent initial "J".

For Moss Adams LLP
Certified Public Accountants
Eugene, Oregon

Management's Discussion And Analysis

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

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

Financial Highlights

- The assets of the City of Tualatin exceeded its liabilities at the close of the most recent fiscal year by \$155,460,087. Of this amount, \$10,394,562 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased \$8,605,127. This increase represents the sum of an increase in governmental activities of \$7,243,965 and business type activities of \$1,361,162.
- As of the close of fiscal year, the City of Tualatin's governmental funds reported combined ending fund balances of \$38,861,664. More than 99 percent of this total, \$38,763,820 is available for spending at the government's discretion (unreserved fund balance).
- At the end of the 2005 fiscal year, unreserved fund balance for the General Fund was \$4,497,524 or 47.9 percent of the total General Fund expenditures.
- The City of Tualatin's total debt, including bonds, leases, loans, and compensated absences increased \$2,289,721 during the year. The primary factor in this increase was the issuing of \$3,785,000 general obligation bonds for parks improvements.

Overview of Financial Statements

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

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

Government-wide Financial Statements

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

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

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

Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other factors being equal, the extent by which assets exceed liabilities is a cushion to be called upon during stressful economic times.

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

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

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

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

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

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

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

Fund Financial Statements

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

In addition, the total amount of budgeted appropriations for expenditures is considered in terms of the revenue available to fund the expenditures and the type of expenditures competing for the same dollars. The City of Tualatin's funds can be divided into two primary categories: governmental funds and proprietary funds.

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

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

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

governmental funds is provided in the forms of *combining statements* elsewhere in this report.

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

These funds include the Water Operating Fund, Water Development Fund, the Sewer Operating Fund and the Sewer Development Fund.

Notes to the Financial Statements

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

Government-Wide Financial Analysis

In 2004-05 the City of Tualatin assets exceeded its liabilities by \$155,460,087. Of this amount, 70 percent of the City's net assets (\$108,896,357) were invested in capital assets, land, buildings, machinery and equipment less the outstanding related debt used to acquire these assets. These assets are not a source for repaying liabilities now, or in the future, since such assets represent the "business of the City." Other resources must be used to pay for outstanding liabilities, some of which are restricted to only certain uses. This requires the City to not only acquire those capital assets necessary to provide for City services, but to retain the ability to finance these acquisitions and provide maintenance for these assets.

An additional portion of net assets, \$36,169,168, are restricted as to how they may be used by budgetary, legal, and other external factors. The unrestricted amount of \$10,394,562 (6.7% of net assets) can be used to meet on-going obligations. Of the total \$17,559,729 of liabilities at year-end for governmental and business type activities \$12,467,316 are due in more than one year. For the government as a whole, and for the separate governmental and business-type activities, all three categories showed a positive net asset balance for fiscal year 2004-05 as it did for 2003-04.

The *Statement of Net Assets* and the pie chart of Revenues by Source highlight some of the most important factors about the governmental funds, particularly General Fund. The primary revenues for governmental funds are taxes, fees and licenses, and intergovernmental revenues. The two largest sources of revenues for the City of Tualatin's General Fund are property taxes and franchise fees.

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

- Local governments total share of property taxes cannot exceed \$10 per thousand of taxable assessed value; for school districts, the limit is \$5 per thousand.
- In 1999 taxpayers voted for a measure which limited assessed value increases from one year to the next to the lower of a 3% increase or the market value unless additional improvements or modifications have been made to a property.
- At the time of property tax reform, each local government was assigned a permanent tax rate. The City's rate is \$2.265 per \$1,000 assessed value. This rate cannot be changed without a vote passed by a "double majority" (more than half of the registered voters vote and more than half of the voters approve the measure).

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

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

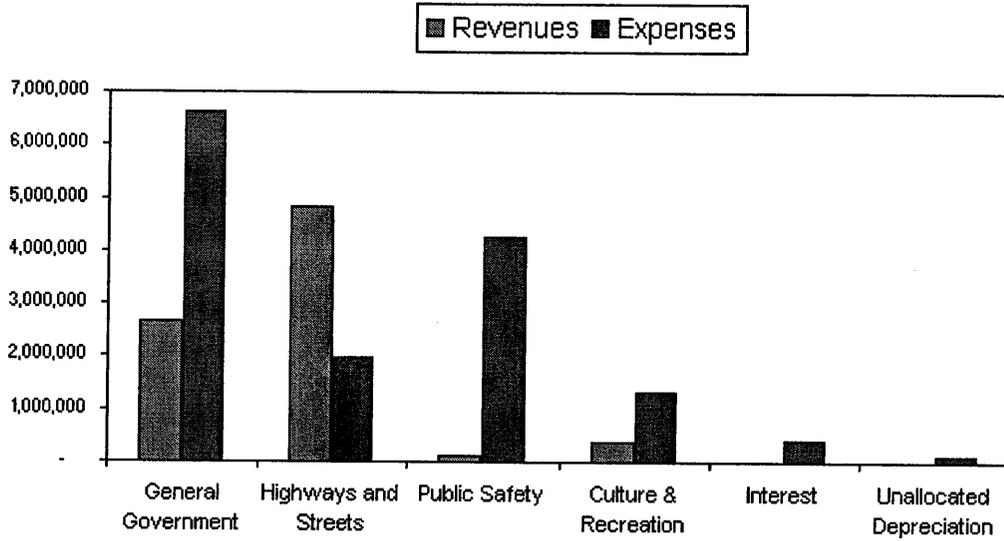
1. Governmental resources are restricted in many ways—budgetary, legal, and by public opinion.
2. Programs funded by general resources typically result in hard choices, such as more police or a better library. Those services which are seen as most important and necessary are almost always least able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

CITY OF TUALATIN'S NET ASSETS

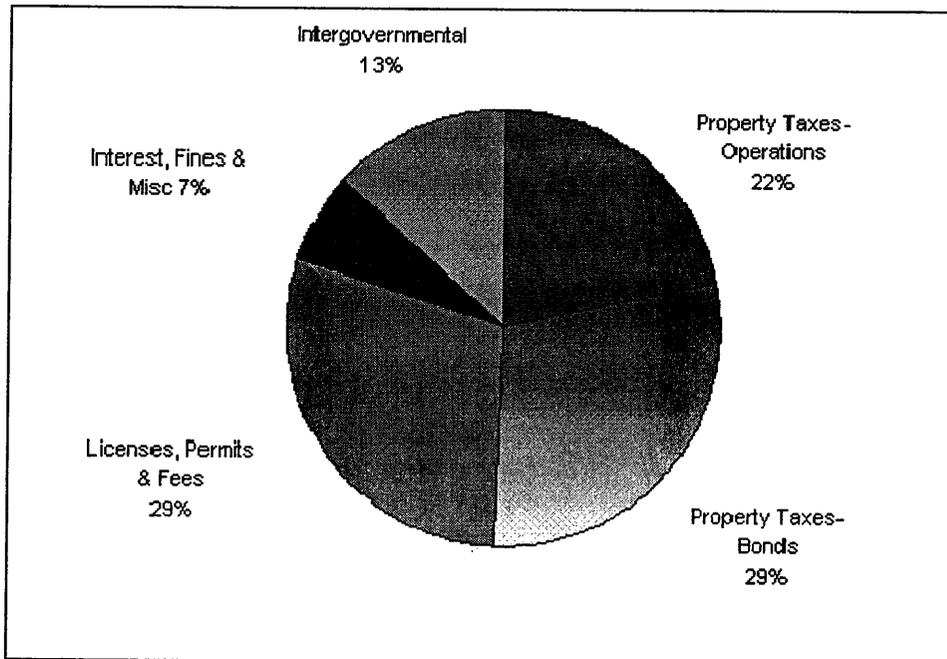
	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	2005	2004	2005	2004	2005	2004
Current and other assets	42,316,101	35,038,756	7,844,374	8,548,279	50,160,475	43,587,035
Capital assets	85,007,457	81,963,292	37,851,884	35,943,859	122,859,341	117,907,151
Total assets	127,323,558	117,002,048	45,696,258	44,492,138	173,019,816	161,494,186
Long-term liabilities outstanding	13,962,984	11,730,517	0	0	13,962,984	11,730,517
Other liabilities	3,027,444	2,182,366	569,301	726,343	3,596,745	2,908,709
Total liabilities	16,990,428	13,912,883	569,301	726,343	17,559,729	14,639,226
Net assets:						
Invested in capital assets, net/related debt	71,044,473	70,232,775	37,851,884	35,943,859	108,896,357	106,176,634
Restricted	31,784,105	22,923,902	4,385,063	0	107,213,361	22,923,902
Unrestricted	7,504,552	9,932,488	2,890,010	7,821,936	10,394,562	17,754,454
Total net assets	110,333,130	103,089,165	45,126,957	43,765,795	155,460,087	146,854,960

City of Tualatin Net Assets	<i>Governmental Activities</i>		<i>Business-type activities</i>		<i>Total</i>	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	5,980,446	6,681,995	8,370,543	9,598,733	14,350,989	16,280,728
Operating grants and Contributions	67,857	34,957	-	-	67,857	34,957
Capital grants and Contributions	1,948,857	1,662,029	3,758,798	905,636	5,707,655	2,567,665
General revenues:						
Property taxes	10,078,180	9,598,691	-	-	10,078,180	9,598,691
Other taxes	1,828,503	1,714,231	-	-	1,828,503	1,714,231
Grants and contributions not restricted to specific programs	7,100	17,457	-	-	7,100	17,457
Investment Earnings	871,461	436,835	159,170	109,979	1,030,631	546,814
Total revenues	20,782,404	20,146,195	12,288,511	10,614,348	33,070,915	30,760,543
Expenses:						
General government	6,633,054	5,231,830	-	-	6,633,054	5,231,830
Public safety	4,255,099	3,938,333	-	-	4,255,099	3,938,333
Highways/streets	1,979,000	2,154,320	-	-	1,979,000	2,154,320
Unallocated Depreciation	126,432	129,475	-	-	126,432	129,475
Culture and recreation	1,322,674	2,427,929	-	-	1,322,674	2,427,929
Interest on long-term debt	422,180	506,419	-	-	422,180	506,419
Water			4,233,678	2,572,652	4,233,678	2,572,652
Sewer			5,493,671	4,036,193	5,493,671	4,036,193
Total expenses	14,738,439	14,388,306	9,727,349	6,608,845	24,465,788	20,997,151
Increase in net assets before transfers	6,043,965	5,757,889	2,561,162	1,840,373	8,605,127	9,763,392
Transfers	1,200,000	2,165,130	(1,200,000)	(2,165,130)	-	-
Increase in net assets	7,243,965	7,923,019	1,361,162	1,840,373	8,605,127	9,763,392
Beginning Net assets	103,089,165	95,166,146	43,765,795	41,925,422	146,854,960	137,091,568
Ending Net assets	110,333,130	103,089,165	45,126,957	43,765,795	155,460,087	146,854,960

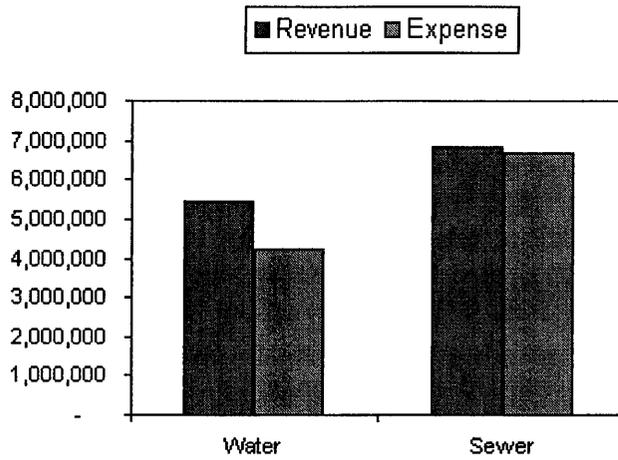
Expenses and Program Revenues - Governmental Activities



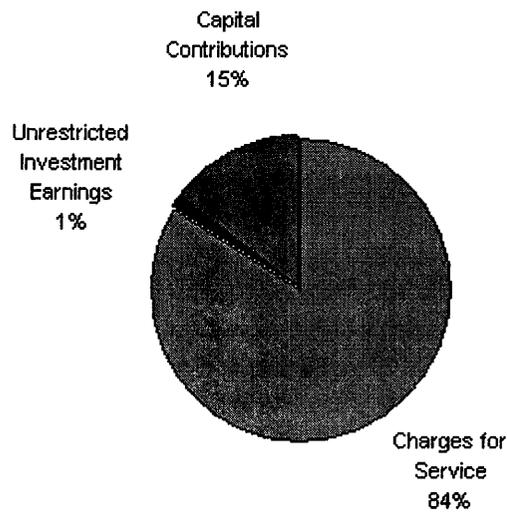
Revenues by Source - Governmental Activities



Expenses and Operating Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of Business-Type Funds

Business activities in 2004-2005 increased net assets by \$1,361,162. This is primarily due to the increased capital grants and contributions revenue as compared to 2003-04; i.e. revenues rose from \$905,636 to \$3,758,798. The result is from increased development in the City during 2005. Changes are variable from year to year.

The City also increased sewer user charges 3.5% in both 2003-04 and 2004-05. A plant maintained by Clean Water Services, special district, serves the majority of sewer customers in the City of Tualatin. The remaining Tualatin sewer customers are serviced by the City of Lake Oswego's plant. Tualatin, maintains pipes and lift stations within the City, however, since Clean Water Services increased rates by 3.5%, the City did likewise because of obligations to pass through a large percentage of user fees to CWS and Lake Oswego.

Capital Asset Reporting and Activity During the Year

The City of Tualatin's investments in capital improvements (net of related debt) increased by \$2,719,723 in fiscal year 2004-05. This investment in capital assets included land, construction in progress, buildings, other improvements, machinery and equipment, and infrastructure. Within the governmental category, infrastructure consists primarily of roads, signals, lighting, and signaling. Within the business-type activities capital assets include water and sewer lines, lift stations, and other portions of utility systems. Whereas water and sewer lines often are placed along streets, improvements in an area of the City may involve capital assets in governmental and business-type activities.

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

- The City began work on a number of parks improvements for which voters had approved a \$3,785,000 General Obligation bond issued in January 2005. Included in these projects was the creation of a artificial sports field and cross country running track for joint public and school use, park lighting, pathway and tennis court improvements and the addition of a boat dock at one park and picnic shelters and two parks. At fiscal year end the sports field was nearing completion and the purchase of Tualatin River greenway acquisition was pressing forward.
- Another major capital event included projects associated with 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. By fiscal year end more than \$2,000,000 had been expended on this first phase of the City Center.

- The third major capital event involved Implementing steps to ensure the City has provided adequate quality and quantity for its future water supply. On May 23, 2005, the City adopted a resolution authorizing the sale of Water Revenue Bonds to be used to finance improvements to an expansion to the City's water system including construction of a five million gallon water reservoir and the retrofitting four existing water reservoirs and three pump stations to meet current seismic loading standards. Costs incurred in 2004-05 were related to site acquisition, testing, and a feasibility study to size a bond issue to finance construction.

City of Tualatin's Net Capital Assets

	<i>Governmental Activities</i>		<i>Business – Type Activities</i>		<i>Total</i>	
	2005	2004	2005	2004	2005	2004
Land	8,249,467	8,075,088	861,054	459,784	9,110,521	8,534,872
Construction in Progress	13,399,571	12,679,478	1,433,071	1,110,542	14,832,642	13,790,020
Buildings	6,904,629	6,612,556	367,755	367,755	7,272,384	6,980,311
Other Improvements	16,298,901	15,795,489	48,476,723	46,327,001	64,775,624	62,122,490
Machinery	2,485,615	2,304,105	903,141	715,926	3,388,756	3,020,031
Infrastructure	70,062,105	66,293,589	-	-	70,062,105	66,293,589
Total	\$117,400,288	\$111,760,305	\$52,041,744	\$48,981,008	\$169,442,032	\$160,741,313

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

Financial Analysis of Governmental Funds

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

Governmental funds provide information about near-term inflows, outflows, and balances of spendable resources, which are consistent with the way the City budgets funds. Such information is useful in assessing the City of Tualatin's financing requirements. Especially unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the

fiscal year. Net assets for the City's governmental funds increased from \$103,089,165 in 2004 to \$110,333,130 in 2005.

Total revenues increased from \$20,146,195 to \$20,782,404 before transfers. Expenses increased from \$14,388,306 to \$14,738,439, a modest increase considering inflation and changes in programs. The increase in revenues was due in part from the increase in property taxes based on increased assessed value and charges for services.

Cities continued to be confronted with legal actions to amend laws requiring payment of utilities to the cities where they do business. This is particularly true for telephone companies who argue that wireless phones have reduced their revenue and that the use of right-of-ways is not a factor as it is with traditional phones. This is particularly difficult for General Fund because franchise fees are the second highest percentage of revenue to that fund.

General Fund Budgetary Highlights

The General Fund is the chief operating fund of the City of Tualatin. At the end of the current year, unreserved fund balance was \$4,497,524. All of these funds were available for short-term expenditures. As a matter of course, the City strives to have enough reserves at the end of the fiscal year end to provide cash for the first five months of operations at which time property taxes will begin to be received. The fund balance increased slightly from a beginning fund balance of \$4,409,041. As operating cost goes up the City expects to begin with a higher beginning balance.

Discussion of Significant Changes in Individual Fund Balances

The following significant changes in fund balances occurred in 2004-05. Marked changes requiring additional information are as follows:

- The ending fund balance in the Central Urban Renewal Bond Fund fell from \$1,678,056 in 2004 to \$659,423 in 2005. The fund balance has been purposely reduced since 2004 when new bonds were issued and the 1987 bonds were refinanced at a lower rate of interest. A portion of excess cash reserves was used in the refinancing.

This was made possible because the refinancing reduced future debt service payments and the bank that funded the refinancing eliminated the necessity for the bond reserve in this fund because it held all the Tualatin Development Commission's outstanding debt.

- The fund balance in the Leveton Tax District Project Fund increased in 2005 to \$6,951,391 from \$5,055,396 in 2004. This increase occurred because several budgeted construction projects fell behind schedule resulting in substantially reduced expenditures. Such delays can occur when critical tasks early in the project (such as right-of-way acquisition) are delayed and another factor exacerbating such a variance is the fact that the fiscal year end falls in the middle of the prime construction period.

- The Infrastructure Reserve Fund's fund balance rose from \$2,333,352 in 2004 to \$3,714,838 in 2005. This fund will fund future infrastructure projects and is expected to show an increased fund balance for the near future.

Debt Administration

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

	Beginning	Additions	Reductions	Ending
General Obligation Bonds	\$ 4,080,000	\$ 3,785,000	\$ (200,000)	\$ 7,665,000
Special Assessment Bonds	25,000	-	(25,000)	-
Urban Renewal Bonds	6,600,000	-	(1,160,000)	5,440,000
Limited Tax Bonds*	860,000	-	(80,000)	780,000
Total Bonds Payable	\$ 11,565,000	\$3,785,000	(\$ 1,465,000)	\$ 13,885,000

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

In 2004-05, the City of Tualatin sold \$3,785,000 of General Obligation Bonds for improvements to the City park system. Voters had approved the issue of \$8,010,000 to finance general obligation bonds for library and parks improvements. On a companion measure a local option levy representing an increase of \$.165/\$1,000 assessed value for five years was also submitted on the ballot on November 2, 2004. It was stated with the measure summary for approval of the \$8,050,000 bonds that the library improvement portion would not be sold unless a new funding mechanism for the library was approved (the local option levy). Voters approved the \$8,010,000 of the bond authority without approving the local option levy—therefore the City has not moved forward with the library improvements.

During 2004-05 the City of Tualatin retained its Moody's rating on its general obligation debt of Aaa and after year-end 2005 was assigned an A2 rating when it issued water bonds.

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's economy had as of June 30, 2005 had not yet fully recovered from the recession of 2001 which affected Oregon's high-tech firms centered in the three counties around Portland. Unemployment in Oregon grew from 4.3 percent in November 2000 to an average of 8.2 percent in 2003, but by November 2004. Oregon's seasonally adjusted unemployment rate had declined to 7.1 percent (124,791 unemployed Oregonian). The national unemployment rate in November 2004 was 5.4 percent. Competition for jobs intensified by the state's continued population growth.

Oregon employment was impacted by a loss of exports to Asia, in part by the North American Free Trade Agreement (NAFTA). By the year 2000, work at 57 Oregon plants or portions of plants had shifted to Mexico or Canada.

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.

Despite its low permanent tax rate, Tualatin has fared better than many areas of the State economically because of its proximity to Portland, its ability to attract high quality development, and the City's balance between residential, industrial, and retail development.

At June 30, 2005, the construction of a 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.

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

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

BASIC FINANCIAL STATEMENTS

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CITY OF TUALATIN, OREGON
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 40,941,359	\$ 2,529,873	\$ 43,471,232
Accounts receivable	173,479	760,825	934,304
Taxes and assessments receivable	1,036,933	-	1,036,933
Interest receivable	1,106	-	1,106
Due from other governments	1,500	-	1,500
Inventory	99,512	24,025	123,537
Prepaid	340	-	340
Restricted cash and investments	61,872	4,529,651	4,591,523
Land	8,249,467	861,054	9,110,521
Buildings	6,904,629	367,755	7,272,384
Improvements other than buildings	16,298,901	-	16,298,901
Machinery and equipment	2,485,615	903,141	3,388,756
Utility system		48,476,723	48,476,723
Infrastructure	70,062,105	-	70,062,105
Construction in progress	13,399,571	1,433,071	14,832,642
Accumulated depreciation	(32,392,831)	(14,189,860)	(46,582,691)
Total Assets	127,323,558	45,696,258	173,019,816
LIABILITIES			
Accounts payable and payroll payable	1,429,551	401,122	1,830,673
Matured bonds payable	70,000	-	70,000
Compensated absences	499,980	-	499,980
Due to other governments	2,758	-	2,758
Deposits	886,715	-	886,715
Matured interest on bonds payable	1,900	-	1,900
Retainage payable	60,815	-	60,815
Unearned revenue	75,725	23,591	99,316
Payable from restricted assets	-	144,588	144,588
Long-Term Liabilities:			
Due within one year	1,495,668	-	1,495,668
Due in more than one year	12,467,316	-	12,467,316
Total Liabilities	16,990,428	569,301	17,559,729
NET ASSETS			
Invested in capital assets, net of related debt	71,044,473	37,851,884	108,896,357
Restricted for:			
Highways and streets	4,692,318	-	4,692,318
Urban redevelopment	239,056	-	239,056
Culture and recreation	3,730,599	-	3,730,599
Debt services	3,910,171	-	3,910,171
Capital projects	19,211,961	4,385,063	23,597,024
Unrestricted	7,504,552	2,890,010	10,394,562
Total Net Assets	\$ 110,333,130	\$ 45,126,957	\$ 155,460,087

See auditor's report and accompanying notes.

**CITY OF TUALATIN, OREGON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General Government	\$ 6,633,054	\$ 2,645,397	\$ 7,100	\$ -
Highways and streets	1,979,000	2,891,276	-	1,948,857
Public Safety	4,255,099	58,326	60,757	-
Culture and Recreation	1,322,674	385,447	-	-
Interest	422,180	-	-	-
Unallocated Depreciation	126,432	-	-	-
Total Governmental Activities	14,738,439	5,980,446	67,857	1,948,857
Business-type Activities:				
Sewer	5,493,671	4,296,527	-	2,414,219
Water	4,233,678	4,074,016	-	1,344,579
Total Business-Type Activities	9,727,349	8,370,543	-	3,758,798
Total - Primary Government	\$ 24,465,788	\$ 14,350,989	\$ 67,857	\$ 5,707,655

General Revenues
Property Taxes Levied for:
 General Purposes
 Debt Service
Franchise Tax
Grants not Restricted to Specific Programs
Investment Earnings

Total General Revenues

Transfers

Total General Revenues, Special Item
 Transfers

Change in Net Assets

Net Assets, beginning of year

Net Assets, end of year

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (3,980,557)	\$ -	\$ (3,980,557)
2,861,133	-	2,861,133
(4,136,016)	-	(4,136,016)
(937,227)	-	(937,227)
(422,180)	-	(422,180)
(126,432)	-	(126,432)
(6,741,279)	-	(6,741,279)
-	1,217,075	1,217,075
-	1,184,917	1,184,917
-	2,401,992	2,401,992
(6,741,279)	2,401,992	(4,339,287)
4,345,300	-	4,345,300
5,732,880	-	5,732,880
1,828,503	-	1,828,503
7,100	-	7,100
871,461	159,170	1,030,631
12,785,244	159,170	12,944,414
1,200,000	(1,200,000)	-
13,985,244	(1,040,830)	12,944,414
7,243,965	1,361,162	8,605,127
103,089,165	43,765,795	146,854,960
\$ 110,333,130	\$ 45,126,957	\$ 155,460,087

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FUND FINANCIAL STATEMENTS MAJOR GOVERNMENTAL FUNDS

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

Road Development Fund - accounts for funds received from system development charges used for road improvements.

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

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

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

Central Urban Renewal District Projects Fund - accounts for resources provided from the sale of tax increment bonds and interest earnings used for 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, OREGON
STATEMENT OF GOVERNMENTAL FUNDS - BALANCE SHEET
JUNE 30, 2005

	General Fund	Road Development Fund	Bancroft Bond Fund	Central Urban Renewal District Bond Sinking Fund
ASSETS				
Cash and investments	\$ 5,146,322	\$ 2,444,024	\$ 293,083	\$ 709,606
Receivables				
Accounts	866	-	-	-
Taxes and assessments	155,026	-	697,853	74,894
Interest	659	-	-	209
Due from other governments	1,500	-	-	-
Due from other funds	79,940	-	-	-
Inventory	63,540	-	-	-
Prepays	340	-	-	-
	<u>4,497,524</u>	<u>1,760,163</u>	<u>292,748</u>	<u>659,423</u>
Total Assets	<u>\$ 5,448,193</u>	<u>\$ 2,444,024</u>	<u>\$ 990,936</u>	<u>\$ 784,709</u>
LIABILITIES				
Accounts payable and payroll	\$ 521,707	\$ 181,065	\$ -	\$ 4,620
Matured bond payable	-	-	-	70,000
Due to other governments	-	-	-	-
Due to other funds	136	-	-	-
Deposits	248,647	464,196	-	-
Matured bond interest payable	-	-	1,900	-
Retainage payable	-	38,600	-	-
Deferred revenue	180,179	-	696,288	50,666
	<u>950,669</u>	<u>683,861</u>	<u>698,188</u>	<u>125,286</u>
Total liabilities	<u>\$ 950,669</u>	<u>\$ 683,861</u>	<u>\$ 698,188</u>	<u>\$ 125,286</u>
FUND BALANCES				
Reserved for inventory	-	-	-	-
Reserved for scholarships	-	-	-	-
Unreserved, reported in				
General fund	4,497,524	-	-	-
Special revenue funds	-	1,760,163	-	-
Debt service funds	-	-	292,748	659,423
Capital projects funds	-	-	-	-
	<u>4,497,524</u>	<u>1,760,163</u>	<u>292,748</u>	<u>659,423</u>
Total fund balances	<u>4,497,524</u>	<u>1,760,163</u>	<u>292,748</u>	<u>659,423</u>
	<u>\$ 5,448,193</u>	<u>\$ 2,444,024</u>	<u>\$ 990,936</u>	<u>\$ 784,709</u>
Total liabilities and fund balances	<u>\$ 5,448,193</u>	<u>\$ 2,444,024</u>	<u>\$ 990,936</u>	<u>\$ 784,709</u>

Leveton Tax Increment District Bond Sinking Fund	Central Urban Renewal District Projects Fund	Leveton Tax Increment District Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,930,267	\$ 8,288,053	\$ 7,000,397	\$ 15,191,479	\$ 41,003,231
-	-	-	172,613	173,479
104,135	-	-	5,025	1,036,933
238	-	-	-	1,106
-	-	-	-	1,500
-	-	-	33,469	113,409
-	-	-	35,972	99,512
-	-	-	-	340
<u>\$ 2,034,640</u>	<u>\$ 8,288,053</u>	<u>\$ 7,000,397</u>	<u>\$ 15,438,558</u>	<u>\$ 42,429,510</u>
\$ -	\$ 147,476	\$ 40,673	\$ 534,010	\$ 1,429,551
-	-	-	-	70,000
-	-	-	2,758	2,758
-	37,500	8,333	67,440	113,409
-	-	-	173,872	886,715
-	-	-	-	1,900
-	-	-	22,215	60,815
70,540	-	-	5,025	1,002,698
<u>\$ 70,540</u>	<u>\$ 184,976</u>	<u>\$ 49,006</u>	<u>\$ 805,320</u>	<u>\$ 3,567,846</u>
-	-	-	35,972	35,972
-	-	-	61,872	61,872
-	-	-	-	4,497,524
-	-	-	6,004,801	7,764,964
1,964,100	-	-	993,900	3,910,171
-	8,103,077	6,951,391	7,536,693	22,591,161
<u>1,964,100</u>	<u>8,103,077</u>	<u>6,951,391</u>	<u>14,633,238</u>	<u>38,861,664</u>
<u>\$ 2,034,640</u>	<u>\$ 8,288,053</u>	<u>\$ 7,000,397</u>	<u>\$ 15,438,558</u>	<u>\$ 42,429,510</u>

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	85,007,457
Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in the funds.	926,973
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds	(499,980)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(13,962,984)

Net assets of governmental activities \$ 110,333,130

CITY OF TUALATIN, OREGON
GOVERNMENTAL FUNDS - STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2005

	General Fund	Road Development Fund	Bancroft Bond Fund	Central Urban Renewal District Bond Sinking Bond Fund
REVENUES				
Taxes and assessments	\$ 4,556,261	\$ -	\$ 133,593	\$ 2,297,154
Licenses and permits	223,053	-	-	-
Intergovernmental	1,099,629	351,081	-	-
Fees	1,828,503	-	-	-
Fines	169,465	-	-	-
Charges for Services	58,326	653,764	-	-
Interest	116,699	54,397	6,424	105,270
Miscellaneous	223,868	19,077	-	-
Total revenues	<u>8,275,804</u>	<u>1,078,319</u>	<u>140,017</u>	<u>2,402,424</u>
EXPENDITURES				
Current				
General Government	3,954,416	-	936	6,122
Highway and streets	-	-	-	-
Public Safety	4,044,373	-	-	-
Culture and recreation	1,039,039	-	-	-
Debt Service				
Principal	18,875	-	105,000	3,350,000
Interest	2,308	-	41,233	64,935
Capital outlay	316,252	1,484,735	-	-
Total expenditures	<u>9,375,263</u>	<u>1,484,735</u>	<u>147,169</u>	<u>3,421,057</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,099,459)</u>	<u>(406,416)</u>	<u>(7,152)</u>	<u>(1,018,633)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of Debt	-	-	-	-
Sale of capital assets	-	-	-	-
Proceeds from capital lease	84,520	-	-	-
Transfers in	1,104,422	100,000	-	-
Transfers out	(1,000)	(316,805)	(8,064)	-
Total other financing sources and (uses)	<u>1,187,942</u>	<u>(216,805)</u>	<u>(8,064)</u>	<u>-</u>
Net change in fund balance	88,483	(623,221)	(15,216)	(1,018,633)
Fund Balances, beginning of year	<u>4,409,041</u>	<u>2,383,384</u>	<u>307,964</u>	<u>1,678,056</u>
Fund balances, end of year	<u>\$ 4,497,524</u>	<u>\$ 1,760,163</u>	<u>\$ 292,748</u>	<u>\$ 659,423</u>

Leveton Tax Increment District Bond Sinking Fund	Central Urban Renewal District Projects Fund	Leveton Tax Increment District Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 3,363,944	\$ -	\$ -	\$ 216,516	\$ 10,567,468
-	-	-	1,604,156	1,827,209
-	-	-	1,335,342	2,786,052
-	-	-	-	1,828,503
-	-	-	-	169,465
-	-	-	1,792,585	2,504,675
79,094	140,741	88,024	280,812	871,461
-	18,911	8,800	71,803	342,459
<u>3,443,038</u>	<u>159,652</u>	<u>96,824</u>	<u>5,301,214</u>	<u>20,897,292</u>
5,016	12,527	11,618	2,532,624	6,523,259
-	-	-	249,943	249,943
-	-	-	-	4,044,373
-	-	-	-	1,039,039
3,263,560	-	-	200,000	6,937,435
137,254	-	-	176,450	422,180
-	2,339,914	352,281	943,347	5,436,529
<u>3,405,830</u>	<u>2,352,441</u>	<u>363,899</u>	<u>4,102,364</u>	<u>24,652,758</u>
37,208	(2,192,789)	(267,075)	1,198,850	(3,755,466)
-	2,930,000	2,383,070	3,772,301	9,085,371
-	374,400	-	-	374,400
-	-	-	-	84,520
-	270,000	-	2,934,825	4,409,247
-	(292,000)	(220,000)	(2,371,378)	(3,209,247)
-	<u>3,282,400</u>	<u>2,163,070</u>	<u>4,335,748</u>	<u>10,744,291</u>
37,208	1,089,611	1,895,995	5,534,598	6,988,825
1,926,892	7,013,466	5,055,396	9,098,640	31,872,839
<u>\$ 1,964,100</u>	<u>\$ 8,103,077</u>	<u>\$ 6,951,391</u>	<u>\$ 14,633,238</u>	<u>\$ 38,861,664</u>

**CITY OF TUALATIN, OREGON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005**

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

Net change in fund balances - total governmental funds (page 29)	\$	6,988,825
Governmental funds report capital outlays as expenditures, but don't record depreciation expense		3,034,149
Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.		(489,288)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.		(2,232,467)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		<u>(57,254)</u>
Change in net assets of governmental activities.	\$	<u><u>7,243,965</u></u>

CITY OF TUALATIN, OREGON
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	Adjustments to GAAP Basis Actual	GAAP
	Original	Final		Positive (Negative)		Basis Actual
REVENUES						
Property Taxes	\$ 4,578,935	\$ 4,578,935	\$ 4,556,261	\$ (22,674)	\$ -	\$ 4,556,261
Licenses and permits	276,418	276,418	223,053	(53,365)	-	223,053
Intergovernmental	1,142,013	1,142,013	1,099,629	(42,384)	-	1,099,629
Franchise Fees	1,806,075	1,806,075	1,828,503	22,428	-	1,828,503
Fines	138,170	138,170	169,465	31,295	-	169,465
Charges for services	66,355	66,355	58,326	(8,029)	-	58,326
Interest	62,000	62,000	116,699	54,699	-	116,699
Miscellaneous	83,431	83,431	223,868	140,437	-	223,868
Total revenues	8,153,397	8,153,397	8,275,804	122,407	-	8,275,804
EXPENDITURES						
Current						
General government	6,648,447	6,648,447	4,448,653	2,199,794	(494,237)	3,954,416
Public safety	4,283,095	4,308,095	4,044,373	263,722	-	4,044,373
Culture and recreation	1,121,501	1,125,871	1,039,039	86,832	-	1,039,039
Capital outlay	277,629	297,641	252,915	44,726	63,337	316,252
Debt Service						
Principal	-	-	-	-	18,875	18,875
Interest	-	-	-	-	2,308	2,308
Reserve funds	1,240,900	1,240,900	-	1,240,900	-	-
Contingency	310,225	173,735	-	173,735	-	-
Total expenditures	13,881,797	13,794,689	9,784,980	4,009,709	(409,717)	9,375,263
Excess of revenues over (under) expenditures	(5,728,400)	(5,641,292)	(1,509,176)	4,132,116	409,717	(1,099,459)
OTHER FINANCING SOURCES (USES)						
Proceeds from capital lease	-	-	-	-	84,520	84,520
Operating transfers in	1,598,659	1,598,659	1,598,659	-	(494,237)	1,104,422
Operating transfers out	(1,000)	(1,000)	(1,000)	-	-	(1,000)
Total other financing sources sources (uses)	1,597,659	1,597,659	1,597,659	-	(409,717)	1,187,942
Excess of revenues and other sources over (under) expenditures and other uses	(4,130,741)	(4,043,633)	88,483	4,132,116	-	88,483
BEGINNING FUND BALANCE	4,130,741	4,043,633	4,409,041	365,408	-	4,409,041
ENDING FUND BALANCE	\$ -	\$ -	\$ 4,497,524	\$ 4,497,524	\$ -	\$ 4,497,524

See auditor's report and accompanying notes.

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 700,000	\$ 1,000,000	\$ 351,081	\$ (648,919)
System development fees	778,982	778,982	653,764	(125,218)
Interest	27,081	27,081	54,397	27,316
Miscellaneous	35,000	35,000	19,077	(15,923)
Total revenues	1,541,063	1,841,063	1,078,319	(762,744)
EXPENDITURES				
Capital outlay	3,049,500	3,851,065	1,484,735	2,366,330
Contingency	198,340	239,604	-	239,604
Total expenditures	3,247,840	4,090,669	1,484,735	2,605,934
Excess of revenues over (under) expenditures	(1,706,777)	(2,249,606)	(406,416)	1,843,190
OTHER FINANCING SOURCES (USES)				
Operating transfers in	100,000	100,000	100,000	-
Operating transfers out	(46,805)	(316,805)	(316,805)	-
Total Other financing sources (uses)	53,195	(216,805)	(216,805)	-
Excess of revenues and other sources over (under) expenditures and other uses	(1,653,582)	(2,466,411)	(623,221)	1,843,190
BEGINNING FUND BALANCE	1,653,582	2,466,411	2,383,384	(83,027)
ENDING FUND BALANCE	\$ -	\$ -	\$ 1,760,163	\$ 1,760,163

FUND FINANCIAL STATEMENTS ENTERPRISE FUNDS

The City has two enterprise type funds which are the water revenue fund and the sewer revenue fund.

Water Revenue Fund - accounts for the acquisition, construction, operation and maintenance of water facilities and services. The primary revenue sources are customer service fees and system development charges.

Sewer Revenue Fund - accounts for the acquisition, operation, construction and maintenance of sewer facilities and services. Resources are provided primarily through user charges to the general public and system development charges.

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CITY OF TUALATIN, OREGON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

	Business-type Activities - Enterprise Funds		
	Water Revenue	Sewer Revenue	Totals
ASSETS			
Current Assets			
Cash and investments	\$ 1,086,120	\$ 1,443,753	\$ 2,529,873
Accounts receivable	389,076	371,749	760,825
Inventory	23,062	963	24,025
Total current assets	<u>1,498,258</u>	<u>1,816,465</u>	<u>3,314,723</u>
Noncurrent Assets			
Restricted			
Cash and investments	1,513,351	3,016,300	4,529,651
Total restricted assets	<u>1,513,351</u>	<u>3,016,300</u>	<u>4,529,651</u>
Capital Assets:			
Land	767,922	93,132	861,054
Buildings	84,669	283,086	367,755
Machinery and equipment	619,927	283,214	903,141
Utility system	26,595,174	21,881,549	48,476,723
Construction in progress	1,433,071	-	1,433,071
Less accumulated depreciation	<u>(8,633,788)</u>	<u>(5,556,072)</u>	<u>(14,189,860)</u>
Total capital assets (net of accumulated depreciation)	<u>20,866,975</u>	<u>16,984,909</u>	<u>37,851,884</u>
Total noncurrent assets	<u>22,380,326</u>	<u>20,001,209</u>	<u>42,381,535</u>
Total Assets	<u>23,878,584</u>	<u>21,817,674</u>	<u>45,696,258</u>
LIABILITIES			
Current liabilities			
Accounts Payable	112,590	288,532	401,122
Unearned revenue	23,591	-	23,591
Total current liabilities	<u>136,181</u>	<u>288,532</u>	<u>424,713</u>
Current liabilities payable from restricted assets			
Account payable	76,688	56,000	132,688
Customer deposits	11,900	-	11,900
Total current liabilities payable from restricted assets	<u>88,588</u>	<u>56,000</u>	<u>144,588</u>
Total liabilities	<u>224,769</u>	<u>344,532</u>	<u>569,301</u>
NET ASSETS			
Invested in capital	20,866,975	16,984,909	37,851,884
Restricted for capital projects	1,424,763	2,960,300	4,385,063
Unrestricted	1,362,077	1,527,933	2,890,010
Total net assets	<u>\$ 23,653,815</u>	<u>\$ 21,473,142</u>	<u>\$ 45,126,957</u>

CITY OF TUALATIN, OREGON
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Business-type Activities - Enterprise Funds		
	Water Revenue	Sewer Revenue	Totals
OPERATING REVENUES			
Charges for sales and services			
Sales	\$ 3,168,683	\$ 4,020,260	\$ 7,188,943
Facilities and service charges	828,292	276,267	1,104,559
Other operating income	77,041	-	77,041
Total operating revenues	<u>4,074,016</u>	<u>4,296,527</u>	<u>8,370,543</u>
OPERATING EXPENSES			
Personnel, operations and engineering	1,422,292	653,292	2,075,584
Materials and services	2,252,120	4,246,934	6,499,054
Depreciation	559,266	593,445	1,152,711
Total operating expenses	<u>4,233,678</u>	<u>5,493,671</u>	<u>9,727,349</u>
Operating income	<u>(159,662)</u>	<u>(1,197,144)</u>	<u>(1,356,806)</u>
NONOPERATING REVENUE (EXPENSES)			
Investment earnings	57,639	101,531	159,170
System development fees	872,011	1,065,990	1,938,001
Total nonoperating expenses	<u>929,650</u>	<u>1,167,521</u>	<u>2,097,171</u>
Income before contributions and transfers	769,988	(29,623)	740,365
Capital contributions	472,568	1,348,229	1,820,797
Transfers out	-	(1,200,000)	(1,200,000)
Change in net assets	<u>1,242,556</u>	<u>118,606</u>	<u>1,361,162</u>
Total net assets - beginning	<u>22,411,259</u>	<u>21,354,536</u>	<u>43,765,795</u>
Total net assets - ending	<u>\$ 23,653,815</u>	<u>\$ 21,473,142</u>	<u>\$ 45,126,957</u>

**CITY OF TUALATIN, OREGON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

	Business-type Activities - Enterprise Funds		
	Water Revenue	Sewer Revenue	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 4,156,240	\$ 4,290,211	\$ 8,446,451
Payment to suppliers	(2,490,011)	(4,211,850)	(6,701,861)
Personnel, operations and engineering	(1,422,292)	(653,292)	(2,075,584)
Net cash from operating activities	<u>243,937</u>	<u>(574,931)</u>	<u>(330,994)</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES			
Transfers to other funds	-	(1,200,000)	(1,200,000)
Total operating expenses	-	(1,200,000)	(1,200,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
System development fees	872,011	1,065,990	1,938,001
Purchases of capital assets	(1,208,318)	(31,622)	(1,239,940)
Net cash from financing activities	<u>(336,307)</u>	<u>1,034,368</u>	<u>698,061</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned	57,639	101,531	159,170
Net cash from investing activities	<u>57,639</u>	<u>101,531</u>	<u>159,170</u>
Net increase (decrease) in cash and investments	<u>(34,731)</u>	<u>(639,032)</u>	<u>(673,763)</u>
CASH AND INVESTMENTS			
Cash and investments, June 30, 2004	<u>2,634,202</u>	<u>5,099,085</u>	<u>7,733,287</u>
Cash and investments, June 30, 2005	<u>\$ 2,599,471</u>	<u>\$ 4,460,053</u>	<u>\$ 7,059,524</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES			
Operating income	\$ (159,662)	\$ (1,197,144)	\$ (1,356,806)
Adjustments to reconcile operating income to net cash from operating activities:			
Cash flows reported in other categories:			
Depreciation expense	559,266	593,445	1,152,711
Change in assets and liabilities:			
Accounts receivable	79,588	(6,316)	73,272
Inventories	4,912	120	5,032
Accounts payable	(169,000)	24,964	(144,036)
Accrued liabilities	(10,370)	-	(10,370)
Due to other funds	(58,161)	10,000	(48,161)
Deferred revenue	(2,636)	-	(2,636)
Net cash from operating activities	<u>\$ 243,937</u>	<u>\$ (574,931)</u>	<u>\$ (330,994)</u>
CASH AND INVESTMENTS ARE REPORTED ON THE STATEMENT OF NET ASSETS AS FOLLOWS:			
Cash and investments	1,086,120	1,443,753	2,529,873
Restricted assets: cash and investments	1,513,351	3,016,300	4,529,651
Cash and investments, June 30, 2005	<u>\$ 2,599,471</u>	<u>\$ 4,460,053</u>	<u>\$ 7,059,524</u>

NONCASH FINANCING ACTIVITIES

During the year, the Water and Sewer funds capitalized \$1,820,797 in assets contributed from various developers.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

1. Financial Reporting Entity

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

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

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

2. Government-wide and fund financial statements

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

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

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

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

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, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of at the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt services expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City reports the following major governmental funds:

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

Road Development Fund - accounts for the expansion and improvement of the transportation system in the City. Primary resources are provided by traffic impact fees and State and County shared revenues.

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

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

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

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

Central Urban Renewal District Projects Fund – accounts for resourced 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.

The city reports the following major proprietary finds:

Water Revenue Fund – accounts for the acquisition, construction, operation and maintenance of water facilities and services. The primary revenue source s are customer service fees and system development charges.

Sewer Revenue Fund – accounts for the acquisition, operation, construction and maintenance of sewer facilities and services. Resources are provided primarily through user charges to the general public and system development charges.

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

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

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

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

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

4. Cash and Investments

The City 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 governmental wide statement of net assets as Cash and Investments.

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

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

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

5. Property Taxes Receivable

Property taxes receivable, which have been collected within sixty days subsequent to year-end, are considered measurable and available and are recognized as revenues in the governmental funds Statement of Revenues, Expenditures and Changes in fund Balance. All other property taxes receivable are off-set 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. Assessments and Liens Receivable

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

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

7. Receivables and Payables

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

8. Inventories

Inventories of supplies for Governmental Fund Types are stated at cost (first-in, first-out basis) and are charged to expenditures as they are used. Inventories in the enterprises funds are stated at the lower of cost (first-in, first-out basis) or market and are charged to expenses as they are used, consistent with the consumption method.

9. Pre-paid Items

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

10. Restricted Assets

Certain assets are classified on the statement of net assets as restricted assets because their use is limited by applicable legal provisions. Restricted assets are from the Water and Sewer funds and are restricted for renewal and replacement and are segregated as restricted assets.

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

Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more, and an estimated useful life of greater than five years. Additions or improvements and other capital outlays that significantly extended the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

CITY OF TUALATIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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

11. Capital Assets (continued)

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

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

<u>Asset</u>	<u>Years</u>
Building and improvements	25 – 40
Improvements other than buildings	10 – 30
Machinery and equipment	5 – 10
Vehicles	5 – 10
Utility Systems	25 – 40
Infrastructure	20 – 40

12. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

13. Compensated Absences

Accumulated vested vacation pay is accrued as it is earned. For governmental funds, the non-current portion (the amount estimated to be used in subsequent fiscal years) is maintained separately and represents a reconciling item between the fund-level and government-wide presentations. Only the current portion is reported in the governmental funds, as is calculated based on historical trends. Compensated absences are reported in governmental funds only if they have matured. Compensated absences are liquidated in the funds from which payroll is paid: general, engineering, operations and urban renewal fund.

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

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

14. Fund Equity

Fund Balance - In the 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.

Restricted Net Assets - Certain enterprise fund net assets are restricted by outside parties for construction and are included as restricted net assets.

15. Use of Estimates

In preparing the City's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - BUDGETARY COMPLIANCE AND ACCOUNTING

1. Budgetary Information

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

The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The level of budgetary control is established by the Division in the City's operating funds (General, Engineering and Building and Operations) and by budget category (Personal Services, Material and Services, Capital Outlay, etc.) in all remaining funds. The legal level of control is as shown on the budget to actual schedules. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publication in newspapers and approval by the City Council. Original and supplemental budgets may be modified by the use of appropriations transfers between the levels of control as approved by the City Council. City 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:

Road Fund – Transfers Out	\$2,906
Urban Renewal Fund – Capital Outlay	1,740
Bancroft Bond Fund – Debt Service	152

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. Budgets for proprietary funds are prepared in accordance with the modified accrual basis of accounting.

CITY OF TUALATIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE C – BUDGET TO GAAP RECONCILIATION

Accounting principles applied for purposes of developing data on the City’s budgetary accounting methods differ from those used by the City to present financial statements in conformity with generally accepted accounting principles (GAAP). The Combined Statement of Revenues, Expenditures and Changes in Fund Balances (NonGAAP Budgetary Basis) – Budget and Actual – All Governmental Fund Types presents data on a budgetary accounting basis. The following schedules present the reconciliation of budgetary basis revenues and expenses to GAAP basis revenues and expenses for the Proprietary Funds:

	<u>Revenues</u>	<u>Expenses</u>
Sewer Fund – budgetary basis	\$ 4,337,156	\$ 3,468,060
Sewer Development Fund – budgetary basis	<u>1,126,892</u>	<u>810,496</u>
Total Sewer Revenue Fund	5,464,048	4,278,556
Personnel, operations and engineering - Sewer fund	-	645,972
Personnel, operations and engineering - Sewer Development fund	-	7,320
Contributed assets	1,348,229	-
Depreciation Expense	-	593,445
Expenditures capitalized	-	<u>(31,622)</u>
Revenues and expenses – GAAP Basis	<u>\$ 6,812,277</u>	<u>\$ 5,493,671</u>
Water Fund – budgetary basis	\$ 4,077,200	\$ 2,556,691
Water Development Fund – budgetary basis	<u>926,466</u>	<u>903,748</u>
Total Water Revenue Fund	5,003,666	3,460,439
Personnel, operations and engineering - Water fund	-	1,412,050
Personnel, operations and engineering - Water Development fund	-	10,242
Contributed assets	472,568	-
Depreciation expense	-	559,266
Expenditures capitalized	-	<u>(1,208,319)</u>
Revenues and expenses – GAAP Basis	<u>\$ 5,476,234</u>	<u>\$ 4,233,678</u>

CITY OF TUALATIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE D – CASH AND INVESTMENTS

Cash and Investments consisted of the following:

Petty Cash	\$ 1,086
Cash on deposit with various banks	5,643,345
Investments	<u>42,418,324</u>
Total	<u>\$ 48,062,755</u>

Balance Sheet captions for cash and investments follow:

Cash and investments	\$ 43,471,232
Restricted cash and investments	<u>4,591,523</u>
Total	<u>\$ 48,062,755</u>

Deposits

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

At year-end, the carrying amount of deposits is \$5,643,345. The total bank balance per the bank statement is \$6,254,253. The full amount, \$6,254,253, is covered by federal depository insurance and certificates of participation that are held by third parties in the City'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.

Legal Government Investment Pool

The City participates in the Oregon State Treasurer's Local Government Invest 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 City's share of market value is reflected below. The City 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>\$ 42,418,321</u>
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Restricted Cash and Investments

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

CITY OF TUALATIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE E - RECEIVABLES

Receivables at June 30, 2005 consist of the following:

	Due from other Governments	Accounts Receivable	Taxes Receivable	Assessments Receivable	Interest Receivable	Total
General	\$ 1,500	\$ 866	\$ 155,026	\$ -	\$ 659	\$ 158,051
Road Development	-	65,514	-	-	-	65,514
Bancroft Bond	-	-	-	697,853	-	697,853
Central Urban Renewal District						-
Bond Sinking	-	-	74,894	-	209	75,103
Leveton Tax Increment Bond Sinking	-	-	104,135	-	238	104,373
Non-major governmental funds	-	107,099	5,025	-	-	112,124
Water	-	389,076	-	-	-	389,076
Sewer	-	371,749	-	-	-	371,749
	<u>\$ 1,500</u>	<u>\$ 934,304</u>	<u>\$ 339,080</u>	<u>\$ 697,853</u>	<u>\$ 1,106</u>	<u>\$ 1,973,843</u>

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

	Unavailable	Unearned
Property taxes receivable - General Fund	\$ 104,454	\$ -
Property taxes receivable - General Obligation Bond Fund	5,025	-
Property taxes receivable - Central Urban Renewal District Bond Fund	50,666	-
Property taxes receivable - Leveton Tax Increment District Bond Fund	70,540	-
Special Assessments not yet due - Bancroft Bond Fund	696,288	-
Street tree planting - General Fund	-	75,725
Utility service fee deposits - Water Fund	-	23,591
	<u>\$ 926,973</u>	<u>\$ 99,316</u>

CITY OF TUALATIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE F - ASSESSMENT LIENS RECEIVABLE

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

NOTE G - INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS

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

	Interfund Receivable	Interfund Payable
Governmental Activities:		
Major Funds:		
General Fund	\$ 79,940	\$ 136
Central Urban Renewal District Projects Fund	-	37,500
Leveton Tax Increment District Projects Fund	-	8,333
Non-major Funds:		
Engineering Fund	33,333	-
Urban Renewal Fund	136	67,440
	\$ 113,409	\$ 113,409

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

CITY OF TUALATIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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

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

Transfers to:	Transfers from:						
	Governmental Activities					Business-type Activities	
	General Fund	Bancroft Bond Fund	Road Development	Central Urban Renewal District	Leveton Tax Increment District Bond Projects	Non-major Governmental Fund	Sewer Fund
Governmental activities:							
General Fund	\$ -	\$ 8,064	\$ 7,171	\$ 30,000	\$ -	\$ 1,059,187	\$ -
Bancroft Bond	-	-	-	-	-	-	-
Road Development	-	-	-	-	-	100,000	-
Central Urban Renewal District Projects	-	-	270,000	-	-	-	-
Leveton Tax Increment District Projects	-	-	-	-	-	-	-
Other Governmental Funds	1,000	-	39,634	262,000	220,000	1,212,191	1,200,000
Business-type activities:							
Water Fund	-	-	-	-	-	-	-
Sewer Fund	-	-	-	-	-	-	-
	<u>\$ 1,000</u>	<u>\$ 8,064</u>	<u>\$ 316,805</u>	<u>\$ 292,000</u>	<u>\$ 220,000</u>	<u>\$ 2,371,378</u>	<u>\$ 1,200,000</u>

NOTE H - CAPITAL ASSETS

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

	Beginning Balance	Increases/Reclassifications	Decreases/Reclassifications	Ending Balance
Governmental activities:				
Capital Assets, not being depreciated				
Land	\$ 8,075,088	\$ 174,379	\$ -	\$ 8,249,467
Construction in progress	12,679,478	4,763,634	(4,043,541)	13,399,571
Total capital assets, not being depreciated	<u>20,754,566</u>	<u>4,938,013</u>	<u>(4,043,541)</u>	<u>21,649,038</u>
Capital Assets, being depreciated				
Buildings	6,612,556	292,073	-	6,904,629
Improvements other than buildings	15,795,489	503,412	-	16,298,901
Machinery and equipment	2,304,105	181,510	-	2,485,615
Infrastructure	66,293,589	3,768,516	-	70,062,105
Total capital assets being depreciated	<u>91,005,739</u>	<u>4,745,511</u>	<u>-</u>	<u>95,751,250</u>
Less accumulated depreciating for:				
Buildings	(1,851,952)	(217,934)	-	(2,069,886)
Improvements other than buildings	(3,932,558)	(460,124)	-	(4,392,682)
Machinery and equipment	(1,602,011)	(188,804)	-	(1,790,815)
Infrastructure	(22,410,492)	(1,728,956)	-	(24,139,448)
Total accumulated depreciation	<u>(29,797,013)</u>	<u>(2,595,818)</u>	<u>-</u>	<u>(32,392,831)</u>
Total capital assets, being depreciated, net	<u>61,208,726</u>	<u>2,149,693</u>	<u>-</u>	<u>63,358,419</u>
Governmental activities capital assets, net	<u>\$ 81,963,292</u>	<u>\$ 7,087,706</u>	<u>\$ (4,043,541)</u>	<u>\$ 85,007,457</u>

CITY OF TUALATIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE H - CAPITAL ASSETS (Continued)

Business-type activities	Beginning Balance	Increases/ Reclassifications	Decreases/ Reclassifications	Ending Balance
Capital Assets, not being depreciated				
Land	\$ 459,784	\$ 401,270	\$ -	\$ 861,054
Construction in progress	1,110,542	838,670	(516,141)	1,433,071
Total capital assets, not being depreciated	<u>1,570,326</u>	<u>1,239,940</u>	<u>(516,141)</u>	<u>2,294,125</u>
Capital Assets, being depreciated				
Buildings	367,755	-	-	367,755
Improvements other than buildings	46,327,001	2,149,722	-	48,476,723
Machinery and equipment	715,926	187,215	-	903,141
Total capital assets being depreciated	<u>47,410,682</u>	<u>2,336,937</u>	<u>-</u>	<u>49,747,619</u>
Less accumulated depreciating for:				
Buildings	(321,629)	(4,376)	-	(326,005)
Improvements other than buildings	(12,635,439)	(1,092,353)	-	(13,727,792)
Machinery and equipment	(80,081)	(55,982)	-	(136,063)
Total accumulated depreciation	<u>(13,037,149)</u>	<u>(1,152,711)</u>	<u>-</u>	<u>(14,189,860)</u>
Total capital assets, being depreciated, net	<u>34,373,533</u>	<u>1,184,226</u>	<u>-</u>	<u>35,557,759</u>
Business-type activities capital assets, net	<u>\$ 35,943,859</u>	<u>\$ 2,424,166</u>	<u>\$ (516,141)</u>	<u>\$ 37,851,884</u>

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

Governmental activities	
General government	\$ 245,968
Public safety	210,726
Highways and streets, including depreciation of infrastructure assets	1,729,057
Culture and recreations	283,635
Unallocated depreciation	<u>126,432</u>
Total depreciating expense - governmental activities	<u>\$ 2,595,818</u>
Business-type activities:	
Water	\$ 559,266
Sewer	<u>593,445</u>
Total depreciation expense - business-type activities	<u>\$ 1,152,711</u>

NOTE I - PENSION PLANS

Contributory Defined Contribution Retirement Plan

Plan Description and Provisions:

Prior to June 30, 2000, all full-time employees who were members of the OPEU Bargaining Unit were eligible to participate in the contributory defined contribution pension plan. As of June 30, 2000, OPEU (now TEA) employees had the option to move their retirement funds into the OPERS defined benefit retirement plan or to stay in the defined contribution plan. TEA employees who elected to remain in the defined contribution plan will have their retirement plan contributions continued under the terms of the plan until their retirement or termination of employment with the City. All new TEA employees hired after June 30, 2000, will participate in OPERS. The payroll for the six employees covered by the contributory defined contribution retirement plan for the year ended June 30, 2005, was \$325,149. The City's total payroll was \$7,007,546.

The City is required under the provision of the nonmanagement plan to contribute 8.73% of each participant's salary. Pension expense recorded by the City under the plan was \$28,385 for the year ended June 30, 2005. Participants are required to contribute 6% to the plan. Participants contributed \$19,506 to the plan during the year ended June 30, 2005. Benefits vest at 30% after three years, and graduate upwards to 100% vesting after five years of continuous service. Benefits are payable in a lump sum or monthly, using various payment options at the normal retirement date of age 55. Should participants retire before 55, they are entitled to the vested portion of benefits at the preceding anniversary date plus 8.73% multiplied by the vested percentage of the participant's compensation during the plan year in which retirement occurs. The City is responsible for establishing or amending any pension provision.

Oregon Public Employees Retirement System

Plan Description:

With the exception of the six employees in the ICMA Plan, the City's regular employees hired prior to August 29, 2003 are participants in the Oregon Public Employees Retirement System (OPERS), an agent multiple-employer defined benefit public employee retirement system that acts as a common investment and administrative agent for government units in the State of Oregon. Benefits generally vest after five years of continuous service. Retirement is allowed at age 58 with unreduced benefits, but retirement is generally available at age 55 with reduced benefits. Retirement benefits are payable in lump sum or monthly amount using several payment options. OPERS also provides death and disability benefits. Public employees hired after August 29, 2003, become members of the Oregon Public Service Retirement Plan (OPSPR). Employer contributions are required by state statute and are made at actuarially determined rates. These benefit provision and other requirements are established by state statutes, Chapter 238, Oregon Revised Statutes. OPERS issues a publicly available comprehensive annual financial report that includes financial statements and required supplemental information. The stand-alone report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700.

CITY OF TUALATIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE I - PENSION PLANS (Continued)

Funding Policy:

The City's contribution rate, based on the applicable actuarial valuation, was 11.88% of covered payroll through June 30, 2005. Employees contribute 6.0% of their salary to OPERS, the exception being the City paying the 6% for sworn police officers and sergeants. The contribution requirements of the City are established and may be amended by the OPERS Retirement Board while the employee's rate is set by state statute, ORS 238.200. The City's payroll for employees covered by OPERS for the year ended June 30, 2005, was \$6,228,866. The City's contribution rate effective July 1, 2005 will be 16.76%.

Required contributions and liabilities were determined as part of the December 31, 2003 actuarial valuation using the entry age actuarial cost method. Because all OPERS employers are required by law to submit the contributions adopted by the Retirement Board, and all the employer contributions are calculated in conformance with the standards of Statement No. 27, there is no net pension obligation.

Annual Pension Cost:

	Fiscal Year Ending		
	2005	2004	2003
City contribution rate	11.88%	11.88%	10.39%
Employee contribution paid by City	6.00%	6.00%	6.00%
City total payroll	\$ 7,007,546	\$ 6,768,547	\$ 6,403,112
Payroll earned by OPERS participants	\$ 6,228,866	\$ 5,944,194	\$ 5,792,986
Annual pension cost	\$ 846,496	\$ 814,013	\$ 715,986
Net pension obligation	\$ -	\$ -	\$ -

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

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

CITY OF TUALATIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE I - PENSION PLANS (Continued)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Excess of Actuarial Value of Assets (EAVA)	Funded Percent	Covered Payroll	(UAAL) as a Percentage of Payroll
December 31, 1997	\$ 8,843,600	\$ 9,060,042	\$ 216,442	\$ -	98%	\$ 2,709,928	8%
December 31, 1999	13,879,938	13,436,003	-	443,925	103%	2,855,372	-16%
December 31, 2001	Pooled	Pooled	-	1,723,699	Pooled	5,419,408	-32%
December 31, 2002	Pooled	Pooled	3,878,875		Pooled	5,631,689	69%
December 31, 2003	Pooled	Pooled	5,872,557	-	Pooled	6,037,200	97%

NOTE J - LEASES

Operating leases

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

<u>YEAR ENDED JUNE 30, 2005</u>	<u>Governmental Activities Amount</u>
2006	20,338
2007	18,376
2008	8,922
2009	<u>2,336</u>
Totals	<u>\$ 49,972</u>

Capital Leases

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

**CITY OF TUALATIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE J – LEASES (Continued)

The assets acquired through capital leases are as follows:

	Governmental Activities
Assets:	
Machinery and equipment	\$ 84,520
Less accumulated depreciation	-
	\$ 84,520

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2005 are as follows:

YEAR ENDED JUNE 30,	Amount
2006	\$ 20,620
2007	20,620
2008	20,620
2009	20,620
2010	10,310
Total minimum lease payments	92,790
Less amount representing interest	(14,806)
Present value of minimum lease payments	\$ 77,984

NOTE K - LONG-TERM DEBT

General Obligation bonds

The City issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities only. General obligation bonds were issued in February 1999 in the amount of \$4,970,000 for the construction of a police facility. The bonds have an interest rate ranging from 3.50 to 4.65% with final maturity in 2019. The principal balance outstanding at June 30, 2005 is \$3,880,000. In 2005, the City of Tualatin issued bonds for Parks Improvements in the amount of \$3,785,000 with the first payment due in 2005-06.

Purpose	Interest rate	Amount
Governmental activities - Police facility	3.50-4.65%	\$ 3,880,000
Governmental activities - Parks Improvements	2.5-3.75%	3,785,000
		\$ 7,665,000

CITY OF TUALATIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE K - LONG-TERM DEBT (Continued)

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

<u>YEAR ENDED JUNE 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 285,000	\$ 363,434
2007	355,000	298,180
2008	370,000	285,870
2009	385,000	272,445
2010	395,000	258,123
2011-2015	2,235,000	1,042,749
2016-2020	2,390,000	521,041
2021-2025	<u>1,250,000</u>	<u>131,658</u>
Total	<u>\$ 7,665,000</u>	<u>\$ 3,173,500</u>

Special Assessment bonds

The City had also issued special assessment bonds—1989 Bancroft Bonds for the construction of Avery street. These bonds were to be repaid from amounts levied against property owners benefited by the construction. In the event that a deficiency existed because of unpaid or delinquent general assessments at the time a debt service payment is due, the City was to provide resources to cover the deficiency until other resources, or example, foreclosure proceeds, are recovered.

The bonds are carried in an interest ranging from 5.80 to 6.50% and the final maturity occurred in 2005, at which the City made the final payment for the bonds.

CITY OF TUALATIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE K - LONG-TERM DEBT (Continued)

Urban Renewal and Redevelopment bonds

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

Central Urban Renewal bonds which are still outstanding include the 2004 Bond which consists of two parts; part A replaced the 1987 Bond which paid for land acquisition, relocation and clearance for the town center) and had a balance of \$385,000 as of June 30, 2005. In addition, the 2004 Project Bond provided new funds that financed Boones Ferry Phase 1, utility underground, transportation, and streetscape improvements and had a balance of \$1,270,000 as of June 30, 2005. 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, and the Intermediate Financing (original amount of \$4,085,000 with an outstanding balance of \$3,450,000 at June 30, 2005.) 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.

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

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

CITY OF TUALATIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE K - LONG-TERM DEBT (Continued)

Limited Tax Improvement Bonds

In 1998 the City issued Limited Tax Improvement Bonds for a street improvement project in the amount of \$2,460,000 with an interest rate of 4.70%. The City has pledged all assessments levied within a Local Improvement District to pay the debt service on the bonds. Principal on the debt is not due until 2014, however, the debt was structured to allow payment of principal as assessment payments and pre-payments are received. In most years principal has been called in round lots and to date, \$1,680,000 of the principal has been paid.

YEAR ENDED JUNE 30, 2005	Governmental Activities	
	Principal	Interest
2006	\$ -	\$ 36,600
2007	-	36,600
2008	-	36,600
2009	-	36,600
2010	-	36,600
2011-2015	780,000	183,000
Total	\$ 780,000	\$ 366,000

Short-term Bonds

The City of Tualatin has two urban renewal districts. These districts, by state law, are 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 City of Tualatin, 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 City, through its urban renewal agency, issues several small bonds in amounts sufficient to cover each phase of construction. The City 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 City issues short-term 'dujour' bonds and redeems them within days of issuance. Since it is the City'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 City 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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE K - LONG-TERM DEBT (Continued)

Loans Payable

In March 1989 the City 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 infrastructure 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.

In July of 1989 the City borrowed an additional \$1,000,000 at an interest rate of 5% from the State of Oregon Economic Development Department's Special Public Works Fund to finance additional infrastructure improvements in the Leveton Tax Increment District. The final maturity was paid for this loan in July 2004.

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>
Government activities:					
Bonds payable:					
General obligation bonds 2/99	\$ 4,080,000	-	\$ (200,000)	\$ 3,880,000	\$ 205,000
General obligation bonds 1/05	-	3,785,000	-	3,785,000	80,000
Special assessment debt with governmental commitment	25,000	-	(25,000)	-	-
Urban renewal and redevelopment bond	6,600,000	-	(1,160,000)	5,440,000	1,190,000
Limited tax improvement bonds	<u>860,000</u>	<u>-</u>	<u>(80,000)</u>	<u>780,000</u>	<u>-</u>
Total bonds payable	11,565,000	3,785,000	(1,465,000)	13,885,000	1,475,000
Loans payable	140,490	-	(140,490)	-	-
Capital leases	25,027	84,520	(31,563)	77,984	20,668
Short Term Bonds *	-	5,313,070	(5,313,070)	-	-
Compensated absences	<u>442,726</u>	<u>500,894</u>	<u>(443,640)</u>	<u>499,980</u>	<u>466,400</u>
Governmental activity long-term liabilities	<u>\$ 12,173,243</u>	<u>\$ 9,683,484</u>	<u>\$ (7,393,763)</u>	<u>\$ 14,462,964</u>	<u>\$ 1,962,068</u>

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

NOTE L – COMMITMENTS AND CONTINGENCIES

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

The City had approximately \$1,721,317 of commitments with respect to unfinished capital projects at June 30, 2005.

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

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

NOTE M – CONSTITUTIONAL PROPERTY TAX LIMITATION

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

In May 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 initiative above the fixed rate provided a majority approves at either (i) a general election in an even number year, or (ii) at any other election in which at least 50 percent of registered voters cast a ballot.

NOTE N – SUBSEQUENT EVENTS

Subsequent to fiscal year-end, the City issued the following debt:

The City issued water revenue bonds to provide funds to finance improvements to and expansion of the water system. Water revenue bonds were issued in November 2005 in the amount of \$7,305,000. The bonds have a variable interest rate with a final maturity in 2025. A first payment is due in June 2006.

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COMBINING STATEMENTS NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

Road Fund - accounts for revenues and gasoline tax apportionments from the State of Oregon and Washington County and road maintenance fees which are used for the repairs, maintenance and minor construction associated with streets.

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

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

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

Park Development Fund - accounts for funds received from systems development charges and park serial levies used for the acquisition and development of park land.

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

Tualatin Science and Technology Fund - accounts for scholarship awards.

Debt Service Funds

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

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

Capital Project Funds

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

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

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

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

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CITY OF TUALATIN, OREGON
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2005

	Total Non-major Special Revenue Funds	Total Non-major Debt-Service Funds	Total Non-major Capital Projects Funds	Total Non-major Governmental Funds
ASSETS				
Cash and investments	\$ 6,469,616	\$ 993,900	\$ 7,727,963	\$ 15,191,479
Receivable				
Accounts	172,613	-	-	172,613
Taxes	-	5,025	-	5,025
Due from other funds	33,469	-	-	33,469
Inventory	35,972	-	-	35,972
Total assets	<u>\$ 6,711,670</u>	<u>\$ 998,925</u>	<u>\$ 7,727,963</u>	<u>\$ 15,438,558</u>
LIABILITIES				
Accounts payable	360,816	-	173,194	534,010
Due to other governments	2,758	-	-	2,758
Due to other funds	67,440	-	-	67,440
Deposits	173,872	-	-	173,872
Retainage	4,139	-	18,076	22,215
Unearned revenue	-	5,025	-	5,025
Total liabilities	<u>609,025</u>	<u>5,025</u>	<u>191,270</u>	<u>805,320</u>
FUND BALANCES				
Reserved for inventory	35,972	-	-	35,972
Reserved for scholarships	61,872	-	-	61,872
Unreserved	6,004,801	993,900	7,536,693	14,535,394
Total fund balances	<u>6,102,645</u>	<u>993,900</u>	<u>7,536,693</u>	<u>14,633,238</u>
Total liabilities and fund balances	<u>\$ 6,711,670</u>	<u>\$ 998,925</u>	<u>\$ 7,727,963</u>	<u>\$ 15,438,558</u>

CITY OF TUALATIN, OREGON
NON-MAJOR SPECIAL REVENUE FUNDS
BALANCE SHEET
JUNE 30, 2005

	Engineering Fund	Operations Fund	Road Fund	Storm Drain
ASSETS				
Cash and investments	\$ 1,893,108	\$ 1,017,946	\$ 1,367,254	\$ 525,514
Accounts Receivable	1,434	-	65,514	105,665
Due from other funds	33,333	-	-	-
Inventory	-	-	35,972	-
Total assets	\$ 1,927,875	\$ 1,017,946	\$ 1,468,740	\$ 631,179
LIABILITIES				
Accounts payable	100,295	147,299	30,058	58,707
Due to other governments	2,758	-	-	-
Due to other funds	-	-	-	-
Deposits	173,872	-	-	-
Retainage	-	3,434	-	-
Total liabilities	276,925	150,733	30,058	58,707
FUND BALANCES				
Reserved for inventory	-	-	35,972	-
Reserved for scholarships	-	-	-	-
Unreserved	1,650,950	867,213	1,402,710	572,472
Total fund balance	1,650,950	867,213	1,438,682	572,472
Total liabilities and fund balances	\$ 1,927,875	\$ 1,017,946	\$ 1,468,740	\$ 631,179

<u>Core Area Parking</u>	<u>Storm Drain SDC Fund</u>	<u>Park Development</u>	<u>Urban Renewal</u>	<u>Tualatin Science and Technology</u>	<u>Total</u>
\$ 187,892	\$ 741,423	\$ 358,188	\$ 316,419	\$ 61,872	\$ 6,469,616
-	-	-	-	-	172,613
-	-	-	136	-	33,469
-	-	-	-	-	35,972
<u>\$ 187,892</u>	<u>\$ 741,423</u>	<u>\$ 358,188</u>	<u>\$ 316,555</u>	<u>\$ 61,872</u>	<u>\$ 6,711,670</u>
439	7,875	6,084	10,059	-	360,816
-	-	-	-	-	2,758
-	-	-	67,440	-	67,440
-	-	-	-	-	173,872
-	-	705	-	-	4,139
<u>439</u>	<u>7,875</u>	<u>6,789</u>	<u>77,499</u>	<u>-</u>	<u>609,025</u>
-	-	-	-	-	35,972
-	-	-	-	61,872	61,872
<u>187,453</u>	<u>733,548</u>	<u>351,399</u>	<u>239,056</u>	<u>-</u>	<u>6,004,801</u>
<u>187,453</u>	<u>733,548</u>	<u>351,399</u>	<u>239,056</u>	<u>61,872</u>	<u>6,102,645</u>
<u>\$ 187,892</u>	<u>\$ 741,423</u>	<u>\$ 358,188</u>	<u>\$ 316,555</u>	<u>\$ 61,872</u>	<u>\$ 6,711,670</u>

CITY OF TUALATIN, OREGON
NON-MAJOR CAPITAL PROJECTS FUNDS
BALANCE SHEET
JUNE 30, 2005

	<u>Capital Projects Fund</u>	<u>Library/Parks Improvements</u>	<u>Infrastructure</u>	<u>Total</u>
ASSETS				
Cash and investments	\$ 442,655	\$ 3,570,470	\$ 3,714,838	\$ 7,727,963
Total assets	<u>\$ 442,655</u>	<u>\$ 3,570,470</u>	<u>\$ 3,714,838</u>	<u>\$ 7,727,963</u>
LIABILITIES				
Accounts payable	-	\$ 173,194	-	173,194
Retainage	-	18,076	-	18,076
Total liabilities	<u>-</u>	<u>191,270</u>	<u>-</u>	<u>191,270</u>
FUND BALANCES				
Unreserved	<u>442,655</u>	<u>3,379,200</u>	<u>3,714,838</u>	<u>7,536,693</u>
Total liabilities and fund balance	<u>\$ 442,655</u>	<u>\$ 3,570,470</u>	<u>\$ 3,714,838</u>	<u>\$ 7,727,963</u>

**CITY OF TUALATIN, OREGON
NON-MAJOR GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2005**

	Total Non-major Special Revenue Funds	Non-major Debt-Service Funds	Total Non-major Capital Projects Funds	Total
REVENUES				
Taxes	\$ -	\$ 216,516	\$ -	\$ 216,516
Licenses and permits	1,604,156	-	-	1,604,156
Intergovernmental	1,335,342	-	-	1,335,342
Charges for services	1,792,585	-	-	1,792,585
Interest	140,054	23,214	117,544	280,812
Miscellaneous	69,453	-	2,350	71,803
Total revenues	4,941,590	239,730	119,894	5,301,214
EXPENDITURES				
Current				
General Government	2,498,398	-	34,226	2,532,624
Highways and streets	249,943	-	-	249,943
Debt Service				
Principal	-	200,000	-	200,000
Interest	-	176,450	-	176,450
Capital Outlay	547,117	-	396,230	943,347
Total expenditures	3,295,458	376,450	430,456	4,102,364
Excess (deficiency) of revenues over (under) expenditures	1,646,132	(136,720)	(310,562)	1,198,850
OTHER FINANCING SOURCES (USES)				
Issuance of Debt	-	-	3,772,301	3,772,301
Transfers in	1,621,951	-	1,312,874	2,934,825
Transfers out	(2,361,526)	-	(9,852)	(2,371,378)
Total other financing sources and (uses)	(739,575)	-	5,075,323	4,335,748
Net change in fund balance	906,557	(136,720)	4,764,761	5,534,598
BEGINNING FUND BALANCE	5,196,088	1,130,620	2,771,932	9,098,640
ENDING FUND BALANCE	\$ 6,102,645	\$ 993,900	\$ 7,536,693	\$ 14,633,238

**CITY OF TUALATIN, OREGON
NON-MAJOR SPECIAL REVENUE FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2005**

	Engineering Fund	Operations Fund	Road Fund	Storm Drain
REVENUES				
Licenses and permits	\$ 939,933	\$ -	\$ 664,223	\$ -
Intergovernmental	-	-	1,295,093	-
Charges for services	-	-	-	1,148,860
Interest	39,720	20,751	25,963	11,677
Miscellaneous	44,471	14,120	5,047	-
Total revenues	<u>1,024,124</u>	<u>34,871</u>	<u>1,990,326</u>	<u>1,160,537</u>
EXPENDITURES				
Current				
General Government	1,084,740	-	766,648	405,526
Highways and streets	-	249,943	-	-
Capital Outlay	6,629	229,895	22,551	8,230
Total expenditures	<u>1,091,369</u>	<u>479,838</u>	<u>789,199</u>	<u>413,756</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(67,245)</u>	<u>(444,967)</u>	<u>1,201,127</u>	<u>746,781</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	617,248	598,503	-	-
Transfers out	(327,383)	-	(949,997)	(764,680)
Total other financing sources and (uses)	289,865	598,503	(949,997)	(764,680)
Net change in fund balance	222,620	153,536	251,130	(17,899)
BEGINNING FUND BALANCE	<u>1,428,330</u>	<u>713,677</u>	<u>1,187,552</u>	<u>590,371</u>
ENDING FUND BALANCE	<u>\$ 1,650,950</u>	<u>\$ 867,213</u>	<u>\$ 1,438,682</u>	<u>\$ 572,472</u>

Core Area Parking	Storm Drain Fund	Park Development	Urban Renewal	Tualatin Science and Technology	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,604,156
-	-	40,249	-	-	1,335,342
82,674	218,203	342,848	-	-	1,792,585
4,054	15,343	16,488	4,725	1,333	140,054
-	-	-	5,815	-	69,453
<u>86,728</u>	<u>233,546</u>	<u>399,585</u>	<u>10,540</u>	<u>1,333</u>	<u>4,941,590</u>
9,793	-	2,510	225,181	4,000	2,498,398
-	-	-	-	-	249,943
-	46,379	229,393	4,040	-	547,117
<u>9,793</u>	<u>46,379</u>	<u>231,903</u>	<u>229,221</u>	<u>4,000</u>	<u>3,295,458</u>
76,935	187,167	167,682	(218,681)	(2,667)	1,646,132
-	-	4,200	402,000	-	1,621,951
(33,060)	(110,711)	(13,840)	(161,855)	-	(2,361,526)
(33,060)	(110,711)	(9,640)	240,145	-	(739,575)
43,875	76,456	158,042	21,464	(2,667)	906,557
<u>143,578</u>	<u>657,092</u>	<u>193,357</u>	<u>217,592</u>	<u>64,539</u>	<u>5,196,088</u>
<u>\$ 187,453</u>	<u>\$ 733,548</u>	<u>\$ 351,399</u>	<u>\$ 239,056</u>	<u>\$ 61,872</u>	<u>\$ 6,102,645</u>

**CITY OF TUALATIN, OREGON
NON-MAJOR CAPITAL PROJECTS FUND
COMBINING STATEMENT OF REVENUES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2005**

	Projects Fund	Library/Parks Improvements	Infrastructure	Total
REVENUES				
Interest	\$ 9,727	\$ 39,205	\$ 68,612	\$ 117,544
Miscellaneous	-	2,350		2,350
Total revenues	9,727	41,555	68,612	119,894
EXPENDITURES				
Current				
General Government	-	34,226	-	34,226
Capital Outlay	-	396,230	-	396,230
Total expenditures	-	430,456	-	430,456
Excess (deficiency) of revenues over (under) expenditures	9,727	(388,901)	68,612	(310,562)
OTHER FINANCING SOURCES (USES)				
Issuance of Debt	-	3,772,301	-	3,772,301
Transfers in	-	-	1,312,874	1,312,874
Transfers out	(5,652)	(4,200)	-	(9,852)
Total other financing sources and (uses)	(5,652)	3,768,101	1,312,874	5,075,323
Net change in fund balance	4,075	3,379,200	1,381,486	4,764,761
BEGINNING FUND BALANCE	438,580	-	2,333,352	2,771,932
ENDING FUND BALANCE	\$ 442,655	\$ 3,379,200	\$ 3,714,838	\$ 7,536,693

BUDGETARY COMPARISON SCHEDULES

Pursuant to the provisions of Oregon Revised Statute 297.465, Oregon Administrative Rule #162-010-0130, *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 City's General Fund and any major special revenue funds are presented as the third of the basic governmental fund financial statements. All other fund budgetary comparisons are displayed in the following pages as supplemental information.

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

Special Revenue Funds

- Engineering and Building
- Operations
- Road
- Storm Drain
- Core Area Parking
- Storm Drain Development
- Park Development
- Urban Renewal
- Tualatin Science and Technology

Debt Service Funds

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

Capital Projects Funds

- Capital Projects
- Central Urban Renewal District Projects
- Leveton Tax Increment District Projects
- Water Reservoir Project
- Library/Parks Improvements
- Infrastructure

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CITY OF TUALATIN
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2005
ENGINEERING AND BUILDING FUND

	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Adjustments to GAAP Basis Actual	GAAP
	Original	Final		Positive (Negative)		Basis Actual
REVENUES						
Building permit fees	\$ 392,716	\$ 392,716	\$ 501,366	\$ 108,650	\$ -	\$ 501,366
Plan check fees	279,046	279,046	384,821	105,775	-	384,821
Public works permit fees	70,500	70,500	53,746	(16,754)	-	53,746
Interest	22,975	22,975	39,720	16,745	-	39,720
Miscellaneous	-	-	44,471	44,471	-	44,471
Total revenues	765,237	765,237	1,024,124	258,887	-	1,024,124
EXPENDITURES						
Administration	505,968	505,968	355,810	150,158	(228,733)	127,077
Engineering - capital	622,159	622,159	452,323	169,836	-	452,323
Building	874,355	874,355	727,603	146,752	(241,078)	486,525
Non-departmental	32,935	32,935	18,815	14,120	-	18,815
Capital Outlay	104,000	104,000	6,629	97,371	-	6,629
Contingency	592,783	592,783	-	592,783	-	-
Reserve funds	268,865	268,865	-	268,865	-	-
Total expenditures	3,001,065	3,001,065	1,561,180	1,439,885	(469,811)	1,091,369
Excess of revenues over (under) expenditures	(2,235,828)	(2,235,828)	(537,056)	1,698,772	469,811	(67,245)
OTHER FINANCING SOURCES (USES)						
Operating transfers in	1,087,059	1,087,059	1,087,059	-	(469,811)	617,248
Operating transfers out	(327,383)	(327,383)	(327,383)	-	-	(327,383)
Total other financing sources (uses)	759,676	759,676	759,676	-	(469,811)	289,865
Excess of revenues and other sources over (under) expenditures and other uses	(1,476,152)	(1,476,152)	222,620	1,698,772	-	222,620
BEGINNING FUND BALANCE	1,476,152	1,476,152	1,428,330	(47,822)	-	1,428,330
ENDING FUND BALANCE	\$ -	\$ -	\$ 1,650,950	\$ 1,650,950	\$ -	\$ 1,650,950

**CITY OF TUALATIN
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2005
OPERATIONS FUND**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Adjustments to GAAP Basis Actual	GAAP Basis Actual
	Original	Final				
REVENUES						
Interest	\$ 5,000	\$ 5,000	\$ 20,751	\$ 15,751	\$ -	\$ 20,751
Miscellaneous	111,980	111,980	14,120	(97,860)	-	14,120
Total revenues	116,980	116,980	34,871	(82,109)	-	34,871
EXPENDITURES						
Administration	336,576	336,576	305,020	31,556	(305,020)	-
Water division	549,716	549,716	466,307	83,409	(466,307)	-
Sewer division	291,148	291,148	230,901	60,247	(230,901)	-
Street division	411,001	411,001	345,559	65,442	(95,616)	249,943
Non-departmental	14,925	14,925	13,692	1,233	(13,692)	-
Capital Outlay	408,300	408,300	229,895	178,405	-	229,895
Contingency	25,000	25,000	-	25,000	-	-
Total expenditures	2,036,666	2,036,666	1,591,374	445,292	(1,111,536)	479,838
Excess of revenues over (under) expenditures	(1,919,686)	(1,919,686)	(1,556,503)	363,183	1,111,536	(444,967)
OTHER FINANCING SOURCES (USES)						
Operating transfers in	1,710,039	1,710,039	1,710,039	-	(1,111,536)	598,503
Excess of revenues and other sources over (under) expenditures and other uses	(209,647)	(209,647)	153,536	363,183	-	153,536
BEGINNING FUND BALANCE	209,647	209,647	713,677	504,030	-	713,677
ENDING FUND BALANCE	\$ -	\$ -	\$ 867,213	\$ 867,213	\$ -	\$ 867,213

**CITY OF TUALATIN
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2005
ROAD FUND**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
State gasoline taxes	\$ 1,170,336	\$ 1,170,336	\$ 1,204,300	\$ 33,964
Washington county gas tax	85,000	85,000	90,793	5,793
Road utility fees	668,839	668,839	664,223	(4,616)
Interest	10,000	10,000	25,963	15,963
Miscellaneous	-	-	5,047	5,047
Total revenues	1,934,175	1,934,175	1,990,326	56,151
EXPENDITURES				
Materials and services	1,748,922	1,748,922	766,648	982,274
Capital outlay	63,000	63,000	22,551	40,449
Contingency	389,398	389,398	-	389,398
Total expenditures	2,201,320	2,201,320	789,199	1,412,121
Excess of revenues over (under) expenditures	(267,145)	(267,145)	1,201,127	1,468,272
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(947,091)	(947,091)	(949,997)	(2,906)
Total other financing sources (uses)	(947,091)	(947,091)	(949,997)	(2,906)
Excess of revenues and other sources over (under) expenditures and other uses	(1,214,236)	(1,214,236)	251,130	1,465,366
BEGINNING FUND BALANCE	815,719	815,719	1,187,552	371,833
ENDING FUND BALANCE	\$ (398,517)	\$ (398,517)	\$ 1,438,682	\$ 1,837,199

**CITY OF TUALATIN
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2005
STORM DRAIN FUND**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Storm drainage fees	\$ 1,133,983	\$ 1,133,983	\$ 1,148,860	\$ 14,877
Interest	8,675	8,675	11,677	3,002
Total revenues	1,142,658	1,142,658	1,160,537	17,879
EXPENDITURES				
Materials and services	1,158,626	1,158,626	405,526	753,100
Capital outlay	100,000	100,000	8,230	91,770
Contingency	317,717	317,717	-	317,717
Total expenditures	1,576,343	1,576,343	413,756	1,162,587
Excess of revenues over (under) expenditures	(433,685)	(433,685)	746,781	1,180,466
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(764,680)	(764,680)	(764,680)	-
Excess of revenues and other sources over (under) expenditures and other uses	(1,198,365)	(1,198,365)	(17,899)	1,180,466
BEGINNING FUND BALANCE	1,198,365	1,198,365	590,371	(607,994)
ENDING FUND BALANCE	\$ -	\$ -	\$ 572,472	\$ 572,472

**CITY OF TUALATIN
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2005
CORE AREA PARKING FUND**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Parking district tax	\$ 45,182	\$ 45,182	\$ 82,674	\$ 37,492
Interest	2,082	2,082	4,054	1,972
Total revenues	<u>47,264</u>	<u>47,264</u>	<u>86,728</u>	<u>39,464</u>
EXPENDITURES				
Materials and services	56,756	56,756	9,793	46,963
Contingency	4,540	4,540	-	4,540
Reserve funds	115,544	115,544	-	115,544
Total expenditures	<u>176,840</u>	<u>176,840</u>	<u>9,793</u>	<u>167,047</u>
Excess of revenues over (under) expenditures	<u>(129,576)</u>	<u>(129,576)</u>	<u>76,935</u>	<u>206,511</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	<u>(33,060)</u>	<u>(33,060)</u>	<u>(33,060)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(162,636)</u>	<u>(162,636)</u>	<u>43,875</u>	<u>206,511</u>
BEGINNING FUND BALANCE	<u>162,636</u>	<u>162,636</u>	<u>143,578</u>	<u>(19,058)</u>
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 187,453</u>	<u>\$ 187,453</u>

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Storm water quality	\$ 109,075	\$ 109,075	\$ 218,203	\$ 109,128
Interest	11,624	11,624	15,343	3,719
Total revenues	120,699	120,699	233,546	112,847
EXPENDITURES				
Capital outlay	280,000	280,000	46,379	233,621
Contingency	381,205	381,205	-	381,205
Total expenditures	661,205	661,205	46,379	614,826
Excess of revenues over (under) expenditures	(540,506)	(540,506)	187,167	727,673
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(110,711)	(110,711)	(110,711)	-
Total Other financing sources (uses)	(110,711)	(110,711)	(110,711)	-
Excess of revenues and other sources over (under) expenditures and other uses	(651,217)	(651,217)	76,456	727,673
BEGINNING FUND BALANCE	651,217	651,217	657,092	5,875
ENDING FUND BALANCE	\$ -	\$ -	\$ 733,548	\$ 733,548

CITY OF TUALATIN
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2005
PARK DEVELOPMENT FUND

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	-	-	40,249	40,249
System development fees	296,630	296,630	342,848	46,218
Interest	4,000	4,000	16,488	12,488
Total revenues	<u>300,630</u>	<u>300,630</u>	<u>399,585</u>	<u>98,955</u>
EXPENDITURES				
Materials and services	21,140	21,140	2,510	18,630
Capital outlay	364,750	409,200	229,393	179,807
Contingency	1,502	1,502	-	1,502
Total expenditures	<u>387,392</u>	<u>431,842</u>	<u>231,903</u>	<u>199,939</u>
Excess of revenues over (under) expenditures	<u>(86,762)</u>	<u>(131,212)</u>	<u>167,682</u>	<u>298,894</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	4,200	4,200	-
Operating transfers out	(13,840)	(13,840)	(13,840)	-
Total Other financing sources (uses)	<u>(13,840)</u>	<u>(9,640)</u>	<u>(9,640)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(100,602)</u>	<u>(140,852)</u>	<u>158,042</u>	<u>298,894</u>
BEGINNING FUND BALANCE	<u>100,602</u>	<u>140,852</u>	<u>193,357</u>	<u>52,505</u>
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 351,399</u>	<u>\$ 351,399</u>

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
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				
Material and service	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
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2005
TUALATIN SCIENCE & TECHNOLOGY FUND**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ 920	\$ 920	\$ 1,333	\$ 413
Total revenues	920	920	1,333	413
EXPENDITURES				
Material and service	5,000	5,000	4,000	1,000
Reserve Funds	59,462	59,462	-	59,462
Total expenditures	64,462	64,462	4,000	60,462
Excess of revenues over (under) expenditures	(63,542)	(63,542)	(2,667)	60,875
BEGINNING FUND BALANCE	63,542	63,542	64,539	997
ENDING FUND BALANCE	\$ -	\$ -	\$ 61,872	\$ 61,872

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes				
Current	\$ 216,516	\$ 216,516	\$ 216,516	\$ -
Interest	16,000	16,000	23,214	7,214
Total revenues	<u>232,516</u>	<u>232,516</u>	<u>239,730</u>	<u>7,214</u>
EXPENDITURES				
Materials and services	1,000	1,000	-	1,000
Debt Service				
Principal	200,000	200,000	200,000	-
Interest	176,450	176,450	176,450	-
Reserve funds	1,000,000	1,000,000	-	1,000,000
Total expenditures	<u>1,377,450</u>	<u>1,377,450</u>	<u>376,450</u>	<u>1,001,000</u>
Excess of revenues over (under) expenditures	<u>(1,144,934)</u>	<u>(1,144,934)</u>	<u>(136,720)</u>	<u>1,008,214</u>
BEGINNING FUND BALANCE	<u>1,144,934</u>	<u>1,144,934</u>	<u>1,130,620</u>	<u>(14,314)</u>
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 993,900</u>	<u>\$ 993,900</u>

**CITY OF TUALATIN
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2005
BANCROFT BOND FUND**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Assessment Principal	\$ 88,186	\$ 88,186	\$ 87,528	\$ (658)
Interest - assessments	43,523	43,523	46,065	2,542
Interest - investments	4,000	4,000	6,424	2,424
Total revenues	135,709	135,709	140,017	4,308
EXPENDITURES				
Materials and services	287,277	287,277	936	286,341
Debt Service				
Principal	105,000	105,000	105,000	-
Interest	41,081	41,081	41,233	(152)
Total expenditures	433,358	433,358	147,169	286,189
Excess of revenues over (under) expenditures	(297,649)	(297,649)	(7,152)	290,497
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(8,064)	(8,064)	(8,064)	-
Excess of revenues and other sources over (under) expenditures and other uses	(305,713)	(305,713)	(15,216)	290,497
BEGINNING FUND BALANCE	305,713	305,713	307,964	2,251
ENDING FUND BALANCE	\$ -	\$ -	\$ 292,748	\$ 292,748

**CITY OF TUALATIN
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 Positive (Negative)
	Original	Final		
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	<u>2,352,218</u>	<u>2,352,218</u>	<u>2,402,424</u>	<u>50,206</u>
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	<u>3,938,140</u>	<u>3,938,140</u>	<u>3,421,057</u>	<u>517,083</u>
Excess of revenues over (under) expenditures	(1,585,922)	(1,585,922)	(1,018,633)	(466,877)
BEGINNING FUND BALANCE	<u>1,585,922</u>	<u>1,585,922</u>	<u>1,678,056</u>	<u>92,134</u>
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 659,423</u>	<u>\$ (374,743)</u>

**CITY OF TUALATIN
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 Positive (Negative)
	Original	Final		
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
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2005
CAPITAL PROJECTS FUND**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ 20,000	\$ 20,000	\$ 9,727	\$ (10,273)
Total revenues	20,000	20,000	9,727	(10,273)
EXPENDITURES				
Materials and services	60,652	60,652	-	60,652
Capital outlay	100,000	100,000	-	100,000
Contingency	303,855	303,855	-	303,855
Total expenditures	464,507	464,507	-	464,507
Excess of revenues over (under) expenditures	(444,507)	(444,507)	9,727	454,234
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(5,652)	(5,652)	(5,652)	-
Total Other financing sources (uses)	(5,652)	(5,652)	(5,652)	-
Excess of revenues and other sources over (under) expenditures and other uses	(450,159)	(450,159)	4,075	454,234
BEGINNING FUND BALANCE	450,159	450,159	438,580	(11,579)
ENDING FUND BALANCE	\$ -	\$ -	\$ 442,655	\$ 442,655

**CITY OF TUALATIN
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 Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ 131,116	\$ 131,116	\$ 140,741	\$ 9,625
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)				
Payment received on note receivable	-	-	374,400	374,400
Issuance of debt	2,930,000	2,930,000	2,930,000	-
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

**CITY OF TUALATIN
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 Positive (Negative)
	Original	Final		
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

**CITY OF TUALATIN
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2005
WATER RESERVOIR PROJECT FUND**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ 400,000	\$ 400,000	\$ -	\$ (400,000)
Total revenues	400,000	400,000	-	(400,000)
EXPENDITURES				
Materials and services	435,000	435,000	-	435,000
Capital Outlay	4,950,000	4,950,000	-	4,950,000
Contingency	4,950,000	4,950,000	-	4,950,000
Total expenditures	10,335,000	10,335,000	-	10,335,000
Excess of revenues over (under) expenditures	(9,935,000)	(9,935,000)	-	9,935,000
OTHER FINANCING SOURCES (USES)				
Issuance of debt	9,935,000	9,935,000	-	(9,935,000)
Total Other financing sources (uses)	9,935,000	9,935,000	-	(9,935,000)
Excess of revenues and other sources over (under) expenditures and other uses	-	-	-	-
BEGINNING FUND BALANCE	-	-	-	-
ENDING FUND BALANCE	\$ -	\$ -	\$ -	\$ -

**CITY OF TUALATIN
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2005
LIBRARY/PARKS IMPROVEMENT FUND**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ 51,000	\$ 51,000	\$ 39,205	\$ (11,795)
Miscellaneous	750	750	2,350	1,600
Total revenues	51,750	51,750	41,555	(10,195)
EXPENDITURES				
Materials and services	161,000	161,000	34,226	126,774
Capital Outlay	2,410,000	2,410,000	396,230	2,013,770
Contingency	3,790,750	3,786,550	-	3,786,550
Total expenditures	6,361,750	6,357,550	430,456	5,927,094
Excess of revenues over (under) expenditures	(6,310,000)	(6,305,800)	(388,901)	5,916,899
OTHER FINANCING SOURCES (USES)				
Issuance of debt	6,055,000	6,055,000	3,772,301	(2,282,699)
Operating transfer in	255,000	255,000	-	(255,000)
Operating transfer out	-	(4,200)	(4,200)	-
Total Other financing sources (uses)	6,310,000	6,305,800	3,768,101	(2,537,699)
Excess of revenues and other sources over (under) expenditures and other uses	-	-	3,379,200	3,379,200
BEGINNING FUND BALANCE	-	-	-	-
ENDING FUND BALANCE	\$ -	\$ -	\$ 3,379,200	\$ 3,379,200

**CITY OF TUALATIN
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2005
INFRASTRUCTURE FUND**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ 46,945	\$ 46,945	\$ 68,612	\$ 21,667
Total revenues	46,945	46,945	68,612	21,667
EXPENDITURES				
Capital Outlay	2,016,450	2,016,450	-	2,016,450
Contingency	1,687,732	1,687,732	-	1,687,732
Total expenditures	3,704,182	3,704,182	-	3,704,182
Excess of revenues over (under) expenditures	(3,657,237)	(3,657,237)	68,612	3,725,849
OTHER FINANCING SOURCES (USES)				
Operating transfer in	1,309,968	1,309,968	1,312,874	2,906
Total Other financing sources (uses)	1,309,968	1,309,968	1,312,874	2,906
Excess of revenues and other sources over (under) expenditures and other uses	(2,347,269)	(2,347,269)	1,381,486	3,728,755
BEGINNING FUND BALANCE	2,347,269	2,347,269	2,333,352	(13,917)
ENDING FUND BALANCE	\$ -	\$ -	\$ 3,714,838	\$ 3,714,838

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**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
PROPRIETARY FUNDS**

- Water
- Water Development
- Sewer
- Sewer Development

CITY OF TUALATIN
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2005
WATER FUND

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Adjustments to GAAP Basis Actual	GAAP Basis Actual
	Original	Final				
REVENUES						
Usage charges	\$ 3,972,393	\$ 3,972,393	\$ 2,991,393	\$ (981,000)	\$ -	\$ 2,991,393
Facilities charge	403,767	403,767	418,510	14,743	-	418,510
Service charge	239,299	239,299	255,747	16,448	-	255,747
Fire service charge	114,918	114,918	112,148	(2,770)	-	112,148
Installation fees	25,375	25,375	38,697	13,322	-	38,697
Turn-on fees	2,060	2,060	3,190	1,130	-	3,190
Interest	15,801	15,801	29,334	13,533	-	29,334
Contributed assets				-	472,568	472,568
Miscellaneous	358,000	358,000	228,181	(129,819)	-	228,181
			-			
Total revenues	5,131,613	5,131,613	4,077,200	(1,054,413)	472,568	4,549,768
EXPENDITURES						
Personnel, operations and engineering	-	-	-	-	1,412,050	1,412,050
Materials and services	2,771,371	2,771,371	2,240,665	530,706	(892,293)	1,348,372
Capital Outlay	665,000	990,000	316,026	673,974	(316,026)	-
Depreciation	-	-	-	-	559,266	559,266
Contingency	1,073,219	748,219	-	748,219	-	-
Total expenditures	4,509,590	4,509,590	2,556,691	1,952,899	762,997	3,319,688
Excess of revenues over (under) expenditures	622,023	622,023	1,520,509	898,486	(290,429)	1,230,080
TRANSFERS						
Transfers out	(1,412,050)	(1,412,050)	(1,412,050)	-	1,412,050	-
Excess of revenues and transfers in over (under) expenses and transfers out	(790,027)	(790,027)	108,459	898,486	1,121,621	1,230,080
BEGINNING OF YEAR	790,027	790,027	1,330,306	540,279	1,770,358	3,100,664
END OF YEAR	\$ -	\$ -	\$ 1,438,765	\$ 1,438,765	\$ 2,891,979	\$ 4,330,744

CITY OF TUALATIN
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2005
WATER DEVELOPMENT FUND

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Adjustments to GAAP Basis Actual	GAAP Basis Actual
	Original	Final				
REVENUES						
System development fees	\$ 652,881	\$ 652,881	\$ 872,011	\$ 219,130	\$ -	\$ 872,011
Interest	-	-	28,305	28,305	-	28,305
Miscellaneous	15,268	15,268	26,150	10,882	-	26,150
Total revenues	668,149	668,149	926,466	258,317	-	926,466
EXPENDITURES						
Personnel, operations and engineering	-	-	-	-	10,242	10,242
Capital Outlay	1,193,000	1,290,000	903,748	386,252	-	903,748
Contingency	371,306	274,306	-	274,306	-	-
Total expenditures	1,564,306	1,564,306	903,748	660,558	10,242	913,990
Excess of revenues over (under) expenses	(896,157)	(896,157)	22,718	918,875	(10,242)	12,476
TRANSFERS						
Transfers out	(10,242)	(10,242)	(10,242)	-	10,242	-
Excess of revenues and transfers in over (under) expenses and transfers out	(906,399)	(906,399)	12,476	918,875	-	12,476
BEGINNING OF YEAR	906,399	906,399	1,335,599	429,200	-	1,335,599
END OF YEAR	\$ -	\$ -	\$ 1,348,075	\$ 1,348,075	\$ -	\$ 1,348,075

**CITY OF TUALATIN
SCHEDULE OF REVENUES AND EXPENDITURES
- ACTUAL AND BUDGET (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2005
SEWER FUND**

	Budgeted Amounts		Actual Amounts	Variance with	Adjustments to GAAP Basis Actual	GAAP Basis Actual
	Original	Final		Final Budget Favorable (Unfavorable)		
REVENUES						
Inspection fees	\$ 7,000	\$ 7,000	\$ 7,455	\$ 455	\$ -	\$ 7,455
User charges	3,992,541	3,992,541	4,020,260	27,719	-	4,020,260
User charges not subject to CWS	215,000	215,000	268,812	53,812	-	268,812
Interest	46,343	46,343	40,629	(5,714)	-	40,629
Contributed assets	-	-	-	-	1,348,229	1,348,229
Total revenues	4,260,884	4,260,884	4,337,156	76,272	1,348,229	5,685,385
EXPENDITURES						
Personnel, operations and engineering	-	-	-	-	645,972	645,972
Materials and services	3,581,421	3,581,421	3,436,438	144,983	-	3,436,438
Depreciation	-	-	-	-	593,445	593,445
Capital Outlay	300,000	300,000	31,622	268,378	(31,622)	-
Contingency	843,119	843,119	-	843,119	-	-
Total expenditures	4,724,540	4,724,540	3,468,060	1,256,480	1,207,795	4,675,855
Excess of revenues over (under) expenditures	(463,656)	(463,656)	869,096	1,332,752	140,434	1,009,530
TRANSFERS						
Transfers out	(1,845,972)	(1,845,972)	(1,845,972)	-	645,972	(1,200,000)
Excess of revenues and transfers in over (under) expenses and transfers out	(2,309,628)	(2,309,628)	(976,876)	1,332,752	786,406	(190,470)
BEGINNING OF YEAR	2,309,628	2,309,628	2,560,809	251,181	2,528,022	5,088,831
END OF YEAR	\$ -	\$ -	\$ 1,583,933	\$ 1,583,933	\$ 3,314,428	\$ 4,898,361

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Adjustments to GAAP Basis Actual	GAAP Basis Actual
	Original	Final				
REVENUES						
System development fees	\$ 598,400	\$ 896,400	\$ 1,065,990	\$ 169,590	\$ -	\$ 1,065,990
Interest	46,708	46,708	60,902	14,194	-	60,902
Total revenues	645,108	943,108	1,126,892	183,784	-	1,126,892
EXPENDITURES						
Personnel, operations and engineering	-	-	-	-	7,320	7,320
Material and services	459,971	1,150,651	810,496	340,155	-	810,496
Capital Outlay	1,165,000	1,165,000	-	1,165,000	-	-
Contingency	1,355,529	955,529	-	955,529	-	-
Total expenditures	2,980,500	3,271,180	810,496	2,460,684	7,320	817,816
Excess of revenues over (under) expenses	(2,335,392)	(2,328,072)	316,396	2,644,468	(7,320)	309,076
TRANSFERS						
Transfers out	-	-	(7,320)	(7,320)	7,320	-
Excess of revenues and transfers in over (under) expenses transfers out	(2,335,392)	(2,328,072)	309,076	2,637,148	-	309,076
BEGINNING OF YEAR	2,335,392	2,328,072	2,595,224	267,152	-	2,595,224
END OF YEAR	\$ -	\$ -	\$ 2,904,300	\$ 2,904,300	\$ -	\$ 2,904,300

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**CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS**

CITY OF TUALATIN
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
YEAR ENDED JUNE 30, 2005

Governmental funds capital assets:

Land	\$ 8,249,467
Buildings	6,904,629
Improvements other than buildings	16,298,901
Infrastructure	70,062,105
Construction in Progress	13,399,571
Machinery & Equipment	<u>2,485,615</u>
 Total Fixed Assets	 <u><u>\$ 117,400,288</u></u>

Investment in governmental funds capital assets by source:

General Fund	\$ 7,869,421
Special Revenue Funds	90,726,467
Capital Project Funds	<u>18,804,400</u>
 Total Investment in General Fixed Assets	 <u><u>\$ 117,400,288</u></u>

CITY OF TUALATIN
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
YEAR ENDED JUNE 30, 2005

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Infrastructure	Construction in Progress	Total
General Government	\$ 3,065,371	\$ 6,904,629	\$ 15,808,276		\$ 66,377,756	\$ 3,954,241	\$ 96,110,273
General Community Services							
Administrative Services	-	-		26,541		-	26,541
Finance	-	-		269,793		-	269,793
Library	-	-		74,298		-	74,298
Law Enforcement	-	-		796,585		-	796,585
Planning Services	-	-		8,291		-	8,291
General Government	-	-		396,305		-	396,305
	-	-		1,571,813		-	1,571,813
Community Development							
Engineering Services	-	-		50,949		-	50,949
Building	-	-		45,472		-	45,472
Recreation Services	-	-		18,784		-	18,784
Park Maintenance	-	-		178,261		-	178,261
Operations Administration	-	-		44,497		-	44,497
Operations Street, Water and Sewer Services	-	-		216,955		-	216,955
Operations Fleet and Building Maintenance Services	-	-		358,884		-	358,884
	-	-		913,802		-	913,802
Total City	3,065,371	6,904,629	15,808,276	2,485,615	66,377,756	3,954,241	98,595,888
Urban Renewal Agency	5,184,096	-	490,625	-	3,684,349	9,445,330	18,804,400
TOTAL	\$ 8,249,467	\$ 6,904,629	\$ 16,298,901	\$ 2,485,615	\$ 70,062,105	\$ 13,399,571	\$ 117,400,288

CITY OF TUALATIN

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY

YEAR ENDED JUNE 30, 2005

Function and Activity	Balance at July 1, 2004	Additions and Deletions, net	Balance at June 30, 2005
General Government	\$ 93,367,398	\$ 2,742,875	\$ 96,110,273
General Community Services			
Administrative Services	26,541	-	26,541
Finance	269,793	-	269,793
Community Service	67,114	7,184	74,298
Law Enforcement	733,105	63,480	796,585
Community Development Planning Servi	8,291	-	8,291
General Government	330,167	66,138	396,305
	1,435,011	136,802	1,571,813
Community Development			
Engineering Services	50,949	-	50,949
Building	45,472	-	45,472
Recreation Services	18,784	-	18,784
Park Maintenance	178,261	-	178,261
Operations Administration	44,497	-	44,497
Operations Street, Water and Sewer Services	187,866	29,089	216,955
Operations Fleet and Building Maintenance Services	343,265	15,619	358,884
	869,094	44,708	913,802
Total City	95,671,503	2,924,385	98,595,888
Urban Renewal Agency	16,088,802	2,715,598	18,804,400
TOTAL	\$ 111,760,305	\$ 5,639,983	\$ 117,400,288

OTHER FINANCIAL SCHEDULES

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CITY OF TUALATIN, OREGON
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	DECUOT DISCOUNTS	ADJUSTMENTS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED JUNE 30, 2005
ALL FUNDS						
Current:						
2004-2005	\$ 4,882,457	\$ 121,252	\$ (21,805)	\$ 2,304	\$ 4,632,465	109,239
Prior years:						
2003-2004	117,110	(98)	(2,257)	4,734	90,241	29,444
2002-2003	38,049	(30)	(3,369)	3,223	23,963	13,970
2001-2002	20,534	(20)	(3,744)	2,820	13,871	5,759
2000-2001	7,956	(19)	(1,887)	1,742	6,416	1,414
1999-2000 and Prior	4,403	(39)	(1,377)	(562)	821	1,682
	188,052	(206)	(12,634)	11,957	135,312	52,269
	<u>5,070,509</u>	<u>121,046</u>	<u>(34,439)</u>	<u>14,261</u>	<u>4,767,777</u>	<u>161,508</u>

FUND DISTRIBUTION:

Revenue:

General Fund	\$ 4,556,261
Park Development Fund	-
General Obligation Bond Fund	216,516
Accrual Adjustments	(5,000)
	<u>\$ 4,767,777</u>

Uncollected Taxes:

General Fund	\$ 154,181
General Obligation Bond Fund	7,327
	<u>\$ 161,508</u>

**TUALATIN DEVELOPMENT COMMISSION
THE URBAN RENEWAL AGENCY OF THE CITY
SCHEDULE OF PROPERTY TAX TRANSACTIONS 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	\$ 5,802,378	\$ 144,332	\$ (26,066)	\$ 2,561	\$ 5,506,390	\$ 128,151
Prior years:						
2003-2004	140,829	(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 and Prior	2,736	(28)	(811)	(85)	693	1,175
	196,735	(201)	(9,574)	11,869	147,657	51,574
	<u>\$ 5,999,113</u>	<u>\$ 144,131</u>	<u>\$ (35,640)</u>	<u>\$ 14,430</u>	<u>\$ 5,654,047</u>	<u>\$ 179,725</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	(7,051)
	<u>\$ 5,654,047</u>

Uncollected Taxes:

Central Urban Renewal District Bond Sinking Fund	\$ 72,929
Leveton Tax Increment District Bond Sinking Fund	106,797
	<u>\$ 179,726</u>

STATISTICAL SECTION

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**CITY OF TUALATIN
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)
LAST TEN FISCAL YEARS
YEAR ENDED JUNE 30, 2005**

Expenditures:	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96
Function:										
General Government (2)	6,273,933	\$ 6,998,559	\$ 7,003,002	\$ 7,099,808	\$ 4,961,528	\$ 5,315,371	\$ 5,272,381	\$ 4,827,284	\$ 4,939,607	\$ 5,310,641
Public Safety (3)	4,044,373	3,728,033	3,300,637	3,018,684	2,817,998	2,404,250	2,206,631	2,055,389	2,488,498	2,414,660
Highways and Streets (4)	249,943	350,724	256,625	314,809	1,315,159	535,880	809,565	1,184,453	1,669,754	1,507,370
Urban Redevelopment (5)	249,326	249,966	977,867	16,195	-	359,243	241,550	255,150	482,630	398,847
Culture and Recreation (6)	1,039,039	2,124,059	2,029,784	1,911,130	1,756,455	952,363	833,983	1,068,927	1,886,008	1,828,946
Debt Service (7)	7,359,615	7,029,020	3,108,080	4,808,405	6,004,738	7,085,534	9,620,346	6,584,192	3,914,098	3,104,348
Capital Outlay (8)	5,436,529	9,188,096	2,156,179	3,235,840	4,673,251	13,264,116	3,943,285	4,399,282	4,447,739	3,957,801
Total All Functions	\$24,652,758	\$29,668,457	\$18,832,174	\$20,404,871	\$21,529,129	\$29,916,757	\$22,927,741	\$20,374,677	\$19,828,334	\$18,522,613

- (1) This schedule is prepared on a Generally Accepted Accounting Principles Basis (GAAP) and not on a Budgetary Basis, and includes the Urban Renewal Agency.
- (2) General Government functions provide the basic functions of the City. Included here are expenditures of all divisions of the General Fund except Police, Court, and Culture & Recreation Divisions; all divisions of the Engineering & Building Fund; and all division of the Operations Fund. Capital outlay is not included in this function.
- (3) Public Safety incorporates expenditures of the Police Department and Municipal Court.
- (4) Highways and Streets include expenditures of the Operations Fund, the Road Fund, the Storm Drain Fund, the Core Area Parking District Fund, the Road Development Fund, and the Storm Drain Development Fund.
- (5) Urban Redevelopment includes expenditures of the Urban Renewal Agency Administration Division and the two Urban Renewal Agency project funds.
- (6) Culture and Recreation incorporates expenditures of the Community Services Division which includes Community Services Administration, Library, Recreation and the Park Development Fund.
- (7) Debt Service incorporates all expenditures of the four debt service funds: General Obligation Bond Fund, Bancroft Bond Fund, Central Urban Renewal District Bond Sinking Fund and the Leveton Tax Increment District Bond Sinking Fund. These figures include regular principal and interest payments and the refunding of outstanding bonds. Years after 2002 include one day bonds in the amounts of: 2001-02, \$1,930,000; 2002-03, \$1,910,000; 2003-04, \$4,447,625; and 2004-05, \$5,313,070.
- (8) Capital Outlay reflects all equipment, land and improvement expenditures of the General, Special Revenue and Capital Projects funds.

**CITY OF TUALATIN, OREGON
GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)
LAST TEN FISCAL YEARS
YEAR ENDED JUNE 30, 2005**

Revenues:	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96
Source										
Taxes & Assessment	10,567,468	\$ 10,138,379	\$ 8,184,619	\$ 8,423,489	\$ 8,124,916	\$ 7,844,972	\$ 8,184,602	\$ 7,058,380	\$ 6,685,685	\$ 7,021,440
Licenses and Permits	1,827,209	1,696,974	1,507,896	2,192,971	1,405,512	782,683	637,735	633,673	777,152	783,100
Intergovernmental	2,786,052	3,714,543	2,278,510	2,027,915	4,102,699	1,380,366	1,376,776	1,337,503	2,267,212	1,855,900
Fees	1,828,503	2,206,032	2,703,929	2,975,689	1,421,464	1,331,906	1,297,709	1,219,259	1,004,994	905,327
Fines	169,465	147,594	135,200	110,415	95,062	81,216	80,446	56,676	46,998	51,083
Charges for Service (2)	2,504,675	1,498,171	1,494,278	2,018,894	1,565,640	5,730,339	2,995,690	2,262,703	6,136,968	6,824,936
Interest & Miscellaneous	1,213,920	866,190	577,080	850,034	1,553,489	2,408,027	2,569,490	2,445,027	2,570,367	1,240,429
Total All sources (3)	\$ 20,897,292	\$ 20,267,883	\$ 16,881,512	\$ 18,599,407	\$ 18,268,782	\$ 19,559,509	\$ 17,142,448	\$ 15,013,221	\$ 19,489,376	\$ 18,682,215

- (1) Includes revenues of the general, special revenue, debt service and capital project funds of the City and the Urban Renewal Agency.
- (2) "Charges for Services" includes system development fees, road maintenance fees, storm drainage fees, parking district fees, miscellaneous park and police department fees and reimbursements and direct transfer of funds which constitute payments by departments for services performed by a specific division.
- (3) Total revenues do not include beginning fund balances.

**CITY OF TUALATIN, OREGON
PROPERTY TAX LEVIES AND COLLECTIONS (1)
FOR THE LAST TEN YEARS
YEAR ENDED JUNE 30, 2005**

	TOTAL TAX LEVY	CURRENT TAX COLLECTIONS	PERCENT OF CURRENT TAX COLLECTED	DELINQUENT TAX COLLECTIONS	TOTAL TAX COLLECTIONS	RATIO OF TOTAL TAX COLLECTED TO TOTAL TAX LEVY	UNCOLLECTED TAXES (2)	RATIO OF UNCOLLECTED TAXES TO TOTAL TAX LEVY
2004-05	11,069,621	10,241,764	92.5%	192,111	10,433,875	94.3%	341,498	3.09%
2003-04	9,941,202	9,770,223	98.3%	192,556	9,962,779	100.2%	358,703	3.61%
2002-03	8,631,483	8,041,161	93.2%	243,737	8,284,898	96.0%	346,585	4.02%
2001-02	8,850,542	8,249,974	93.2%	228,151	8,478,125	95.8%	372,417	4.21%
2000-01	8,183,626	7,728,299	94.4%	235,796	7,964,095	97.3%	364,545	4.45%
1999-00	8,073,949	7,534,500	93.3%	224,869	7,759,369	96.1%	417,293	5.17%
1998-99	7,131,660	6,710,105	94.1%	207,557	6,917,662	97.0%	354,618	4.97%
1997-98	7,116,067	6,752,733	94.9%	195,969	6,948,702	97.6%	296,082	4.16%
1996-97	6,834,365	6,467,149	94.6%	198,330	6,665,479	97.5%	289,236	4.23%
1995-96	7,033,159	6,656,470	94.6%	269,128	6,925,598	98.5%	298,313	4.24%

(1) Includes tax increment collections levied by the county.

(2) Uncollected taxes are fully secured as they are first liens on the property.
The county, who is the collection agent, will take legal action to collect if taxes are not paid within four years.

Includes City and its Component Unit.

**CITY OF TUALATIN, OREGON
 ASSESSED AND ESTIMATED VALUE OF TAXABLE PROPERTY
 LAST TEN YEARS
 YEAR ENDED JUNE 30, 2005**

	REAL PROPERTY		PERSONAL PROPERTY		PUBLIC UTILITY PROPERTY		TOTAL		RATIO OF TOTAL ASSESSED TO TOTAL ESTIMATED ACTUAL VALUE
	ASSESSED VALUE	ESTIMATED ACTUAL VALUE	ASSESSED VALUE	ESTIMATED ACTUAL VALUE	ASSESSED VALUE	ESTIMATED ACTUAL VALUE	ASSESSED VALUE	** ESTIMATED ACTUAL VALUE	
2004-05	2,224,264,234	2,920,393,731	150,690,649	153,578,741	58,423,990	60,223,328	2,433,378,873	3,134,195,800	78%
2003-04	2,102,847,063	2,743,758,308	149,097,494	151,377,151	58,094,721	59,323,563	2,310,039,278	2,954,459,022	78%
2002-03	1,873,463,727	2,486,698,778	149,199,919	149,480,208	56,019,551	56,073,626	2,078,683,197	2,692,252,612	77%
2001-02	1,766,058,040	2,352,560,606	136,668,191	138,878,692	59,749,964	61,179,114	1,962,476,195	2,552,618,412	77%
2000-01	1,654,698,415	2,185,266,947	144,561,051	148,625,782	55,348,650	68,415,740	1,854,608,116	2,402,308,469	77%
1999-00	1,552,662,162	2,024,876,429	126,113,436	130,973,385	47,298,549	51,448,405	1,726,074,147	2,207,298,219	78%
1998-99	1,431,638,192	1,805,293,222	100,615,498	103,340,664	39,887,933	44,535,163	1,572,141,623	1,953,169,049	80%
1997-98	1,203,572,631	1,203,572,631	82,879,383	82,879,383	32,793,486	32,793,486	1,319,245,500	1,319,245,500	100%
1996-97	1,348,684,636	1,348,684,636	88,427,731	88,427,731	34,587,553	34,587,553	1,471,699,920	1,471,699,920	100%
1995-96	1,299,453,407	1,299,453,407	80,337,454	80,337,454	35,988,822	35,988,822	1,415,779,683	1,415,779,683	100%

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

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

Source: Washington County and Clackamas County Assessors.

CITY OF TUALATIN, OREGON
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN YEARS
YEAR ENDED JUNE 30, 2005

DOLLARS PER \$1,000 ASSESSED VALUE

	04-05	03-04	02-03	01-02	00-01	99-00	98-99	97-98	96-97	95-96
City of Tualatin:										
General Government	\$ 1.91	\$ 1.90	\$ 1.99	\$ 2.27	\$ 2.27	\$ 2.27	\$ 2.27	\$ 2.27	\$ 1.83	\$ 1.99
G.O. Bonded Debt	0.09	0.10	0.11	0.48	0.63	0.89	0.73	1.12	0.77	0.83
Park Serial Levy	-	-	-	-	-	-	-	-	-	0.43
Total City	2.00	2.00	2.10	2.75	2.90	3.16	3.00	3.39	2.60	3.25
Other:										
Washington County	2.36	2.37	2.51	2.96	2.53	2.54	2.56	2.60	2.24	2.10
Washington County ESD*	0.13	0.12	0.12	0.12	0.12	0.14	0.15	0.14	0.12	0.07
Portland Community College*	0.40	0.40	0.40	0.49	0.31	0.34	0.35	0.34	0.32	0.35
Tigard/Tualatin School Dist #23J*	6.31	6.39	6.47	5.71	5.91	5.91	6.65	6.20	5.92	6.18
Clean Water Services	-	-	-	-	-	-	-	-	0.05	0.08
Tualatin Valley Fire and Rescue	1.54	1.54	1.60	1.83	1.59	1.56	1.53	1.53	1.38	1.51
Port of Portland	0.06	0.06	0.06	0.07	0.07	0.08	0.08	0.07	0.08	0.12
Metro Service District	0.24	0.24	0.25	0.32	0.34	0.33	0.36	0.39	0.26	0.34
Tri-Met Transport District	0.09	0.09	0.10	0.14	0.13	0.14	0.15	0.16	0.11	0.13
Urban Renewal - Tualatin	2.40	2.48	1.79	-	-	0.04	0.12	0.05	1.49	1.63
Total Other	13.53	13.69	13.30	11.64	11.00	11.08	11.95	11.48	11.97	12.51
Total	\$ 15.53	\$ 15.69	\$ 15.40	\$ 14.39	\$ 13.90	\$ 14.24	\$ 14.95	\$ 14.87	\$ 14.57	\$ 15.76

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

CITY OF TUALATIN, OREGON
 PRINCIPAL TAXPAYERS IN 2004-05
 (excluding utilities)
 JUNE 30, 2005

TAXPAYER	TYPE OF BUSINESS	ASSESSED VALUATION (1)	PERCENTAGE OF TOTAL CITY'S ASSESSED VALUATION (2)
Novellus Systems, Inc.	Manufacturer - Semi Conductor	\$128,376,350	5.28%
JAE Oregon, Inc.	Manufacturer - Electrical Componets	28,422,310	1.17%
Zian Limited Partnership	Commercial Properties	21,054,510	0.87%
Riggs Bank NA	Commercial Park # 2	20,788,620	0.85%
Simpson Finance LP	Apartments - Rivercrest/Hazelbrook	20,661,580	0.85%
Monadnock Property Trust LLC	Property Management - Hedges Creek	20,639,610	0.85%
Verizon Northwest Inc.	Telecommunications	18,583,100	0.76%
I & G Tualatin LLC	Property Management	17,300,480	0.71%
Fujimi America Inc	Manufacturer	15,264,780	0.63%
Legacy Health System	Hospital	13,265,817	0.55%
Acacia Capital Corporation	Lending & Investments	10,381,484	0.43%
Stephen M Berrey	Real Estate	6,999,685	0.29%
Tualatin Senior Care	Adult Care Facility	6,697,299	0.28%
Safeway Inc	Food Distributor	4,632,701	0.19%
Madrona Watumull LLC	Property Management	4,268,738	0.18%
James E Berrey LLC	Real Estate	3,680,857	0.15%
Oregon-DDP LLC		3,655,950	0.15%
Turnidge Family LTD Partnership	Commercial Properties	3,470,553	0.14%

(1) Source: Washington and Clackamas County Assessor's records

(2) Assessed value for the City of Tualatin and the Tualatin Development Commission equals \$2,433,378,873. For the City of Tualatin the permanent rate of \$2.26 per \$1,000 assessed value is applied after the excess value is subtracted, making the City's assessed value equal \$2,053,177,638. The estimate actual value for the City is \$3,134,195,800. Principal Taxpayers are based on the City's assessed value without Urban Renewal.

**CITY OF TUALATIN, OREGON
SPECIAL ASSESSMENTS BILLINGS AND COLLECTIONS (1)
LAST TEN FISCAL YEARS
YEAR ENDED JUNE 30, 2005**

	BEGINNING DEFERRED ASSESSMENTS RECEIVABLE	ADDITION OF NEW LOCAL IMPROVEMENT DISTRICT ASSESSMENTS (BILLINGS)	COLLECTIONS AND ADJUSTMENTS	ENDING DEFERRED ASSESSMENTS RECEIVABLE
2004-2005	827,335		(131,047) *	696,288
2003-2004	917,368	-	(90,033)	827,335
2002-2003	963,225	-	(45,857)	917,368
2001-2002	1,060,609	-	(97,384)	963,225
2000-2001	1,152,273	-	(91,664)	1,060,609
1999-2000	1,252,070	-	(99,797)	1,152,273
1998-1999	2,519,397	-	(1,267,327)	1,252,070
1997-1998	139,859	2,460,000	(80,462)	2,519,397
1996-1997	220,785	-	(80,926)	139,859
1995-1996	332,313	-	(111,528)	220,785

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

* Collections and adjustments column includes an adjustment of \$43,518 for a payment received in fiscal year 2002-03 which was not applied until the current year 2004-05.

**CITY OF TUALATIN
COMPUTATION OF LEGAL DEBT MARGIN
YEAR ENDED JUNE 30, 2005**

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

<u>True Cash Value</u>		\$	2,433,378,873
	X		<u>3%</u>
			73,001,366

Debt Applicable to Limitation:

Total Bonded Debt	\$	13,885,000	
Less:			
Limited Tax Improvement Bonds		780,000	
Special Assessment Bonds		-	
Urban Renewal Bonds		5,440,000	
Amount Available for Payment of General Obligation Bonds		993,900	
Total Debt Applicable to Limitation		<u>6,671,100</u>	
Legal Debt Margin		<u><u>\$ 66,330,266</u></u>	

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

**CITY OF TUALATIN
RATIO OF NET BONDED DEBT
TO ASSESSED VALUE AND NET DEBT PER CAPITA
LAST TEN YEARS
YEAR ENDED JUNE 30, 2005**

FISCAL YEAR	POPULATION (1)	ASSESSED VALUE (2)	GROSS BONDED DEBT (3)	LESS DEBT SERVICE FUND (4)	NET BONDED DEBT	PERCENT OF NET BONDED DEBT TO ASSESSED VALUE	NET BONDED DEBT PER CAPITA
2004-05	25,314	2,433,378,873	13,105,000	3,617,423	9,487,577	0.39%	375
2003-04	24,790	2,310,039,278	10,680,000	4,734,034	5,945,966	0.26%	240
2002-03	24,100	2,078,683,197	11,700,000	5,682,337	6,017,663	0.29%	250
2001-02	23,270	1,962,476,195	7,750,000	3,531,762	4,218,238	0.21%	181
2000-01	23,065	1,854,608,116	8,720,000	3,392,857	5,327,143	0.29%	231
1999-00	21,345	1,726,074,147	10,610,000	4,274,752	6,335,248	0.37%	297
1998-99	21,449	1,572,141,623	12,450,000	4,962,941	7,487,059	0.48%	349
1997-98	21,405	1,319,245,500	12,252,234	7,856,252	4,395,982	0.33%	205
1996-97	20,405	1,471,699,920	11,900,001	5,647,858	6,252,143	0.42%	306
1995-96	20,040	1,415,779,683	11,830,967	5,751,130	6,079,837	0.43%	303

(1) Source: Center for Population Research and Census (Portland State University)

(2) Source: Washington County and Clackamas County Assessors

(3) Amount includes GO Bonds and Urban Renewal Bonds, but not Special Assessment or Limited Tax bonds.

(4) Amount available for repayment of bonds (fund balances for GO Bond Fund and Urban renewal bond funds).

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

**CITY OF TUALATIN
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS
YEAR ENDED JUNE 30, 2005**

	POPULATION (1)	PER CAPITA INCOME (WASHINGTON COUNTY) (2)		TIGARD/ TUALATIN SCHOOL ENROLLMENT (3)	UNEMPLOYMENT RATE (PORTLAND METRO AREA) (4)
2004-2005	25,314	33,376	**	11,825	7.0%
2003-2004	24,790	32,404	**	11,586	6.6%
2002-2003	24,100	31,578		11,611	8.5%
2001-2002	23,270	32,218		11,467	5.3%
2000-2001	22,791*	33,183		11,697	5.3%
1999-2000	21,345	30,878		11,218	4.5%
1998-1999	21,449	29,592		11,090	4.3%
1997-1998	21,405	29,032		11,070	4.3%
1996-1997	20,405	27,663		10,663	4.5%
1995-1996	20,040	26,474		10,877	4.2%

(1) Source: State of Oregon Population estimates - City has population in more than one county-
only includes Washington County

* US Census Count 2000

(2) Source: State of Oregon Regional Economic Analysis

** 2004 and 2005 figures not available (estimated based on CPI)

(3) Source: Tigard/Tualatin School District #23J

Average for 8/30/04-6/16/05

(4) Source: State of Oregon Labor Market Information System
Metropolitan Area Unemployment

CITY OF TUALATIN
ASSESSED AND ESTIMATED VALUE OF TAXABLE PROPERTY CONSTRUCTED
FOR THE LAST TEN YEARS
YEAR ENDED JUNE 30, 2005

	RESIDENTIAL CONSTRUCTION		COMMERCIAL CONSTRUCTION		INDUSTRIAL CONSTRUCTION		PUBLIC CONSTRUCTION		
	NUMBER OF UNITS	VALUE	NUMBER OF PERMITS	VALUE	NUMBER OF PERMITS	VALUE	NUMBER OF PERMITS	VALUE	BANK DEPOSITS
2004-05	217	40,921,517	370	69,781,651	86	7,245,781	0	0	254,696
2003-04	234	44,421,981	173	37,052,946	94	10,683,643	2	3,192,425 (4)	265,330
2002-03	145	39,968,625	4	9,737,949	15	4,864,041	0	0	223,229
2001-02	194	66,488,143	5	7,433,811	17	10,511,566	0	0	221,589
2000-01	228	34,966,280	101	11,955,147	120	39,305,693	0	0	271,073
1999-00	410	28,319,278	197	18,510,109	67	12,247,824	1	2,698,000 (3)	176,730
1998-99	136	17,372,906	179	34,122,040	55	12,014,094	0	0	182,935
1997-98	127	15,881,648	183	28,572,252	82	14,489,788	2	22,000 (2)	182,935
1996-97	156	38,070,329	162	18,596,174	64	4,282,560	0	0	182,968
1995-96	341	41,025,900	130	16,707,240	39	13,201,721	0	0	Not Avail (1)

(1) Information is not available from one leading Oregon Bank-First Interstate Bank of Oregon

(2) Tualatin High School Indoor Swimming Pool

(3) City of Tualatin Police Facility

(4) Tualatin Elementary School and City of Tualatin Operations Center

Bank deposits: Dollar amounts rounded to nearest thousand.

Source: City of Tualatin Engineering and Building Department for construction information
Oregon State Department of Insurance and Finance for bank deposits in Tualatin.

**CITY OF TUALATIN
MAJOR EMPLOYERS IN TUALATIN
YEAR ENDED JUNE 30, 2005**

<u>BUSINESS</u>	<u>NUMBER OF EMPLOYEES</u>
Legacy Meridian Park Hospital	823
United Parcel Service	547
GE Interlogix	500
Novellus Systems, Inc.	400
DPI Northwest	300
Milgard Windows	275
Fred Meyer	273
Cyberrep	250
JAE Oregon, Inc	245
Simple Designs Mfg, Inc	220
Coca-Cola Bottling	200
Columbia Corrugated	200
Pacific Foods of Oregon, Inc	200
Acosta Sales & Marketing	170
Kershaw Knives	170
ClubSport Oregon, LLC	168
Federal Express	150
Leviton Manufacturing co, Inc	140
Pixelworks, Inc	140
Pierce Pacific Mfg, Inc	140
Autodesk, Inc	140
Celerity Group, Inc	135
Safeway Inc #1047	124
Empire Pacific Windows Corp	118
Precision Countertops, Inc	115
Anthro Technology	110
Jana's Classics, Inc	100
Pacific Crest Technology, Inc	100
Moore Electronics, Inc	97
Tualatin Country Club	96
Haggen Food & Pharmacy	95
Hayden's Lakefront Grill	90
Helser Industries	90
Sure Power Industries, Inc	90
Gaylord Industries, Inc	88
K-Mart #3025	87
Crate & Barrel	80
Sweetbrier Inn	80
Key Knife, Inc	77
Englander	76
Hunt Air	75
Kaiser Permanente	75
Kambara USA	75

**CITY OF TUALATIN, OREGON
MISCELLANEOUS STATISTICAL DATA
YEAR ENDED JUNE 30, 2005**

Date of Incorporation	1913
Form of Government	Council/Manager
Number of Employees (excluding police):	
Classified (union)	68
Unclassified (non-union)	27
Temporary employees (Library, Community Services, Police and Operations department)	24
Area of City in square miles:	
City Limits	7.97
Urban Growth	8.61
Facilities and Services:	
Police Protection:	
Number of Stations	1
Number of Police Personnel and Officers (36 Sworn)	44
Number of Patrol Units (Average 4.25 in use at a time)	18
*Number of Parks	11
Park Acreage	289.33
Developed Greenway Acreage	24.81
Greenway Acreage	82.60
Number of Tennis Courts	4
Community Centers	2
Skateparks	1
Water System:	
Miles of Water Mains	100
Number of Service Connections	6,408
Number of Fire Hydrants	903

*Developed parks not including 3 neighborhood parks, 2 community parks, several natural area parks

**CITY OF TUALATIN, OREGON
 MISCELLANEOUS STATISTICAL DATA
 YEAR ENDED JUNE 30, 2005**

Sewerage System:

Miles of Sanitary Sewers	89.9
Miles of Storm Sewers	78.03
Number of Service Connections	6,408

Miles of Streets:

76

Number of Street Lights:

City Owned	2,142
Owned by Portland General Electric	332

Fire Protection:

This service is provided by the Tualatin Valley Fire and Rescue
 for Tualatin and five nearby cities

Facilities and Services Provided by Others Within the City of Tualatin:

Education:

Number of Elementary Schools	3
Number of Middle Schools	1
Number of High Schools	1

Hospitals:

Number of Hospitals	1
Number of Patient Beds	150

Golf Course	1
Driving Range	1

Facilities and Services Available Within the Portland Metropolitan Area:

Education:

Community Colleges	4
Universities and Colleges	8

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

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

September 20, 2005

Honorable Mayor and Members of the City Council
Tualatin, Oregon

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Tualatin, Oregon as of and for the year ended June 30, 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 City'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 instances of noncompliance relating to over expenditures of budgeted appropriations on the following funds:

Road Fund - Transfers-Out	\$ 2,906
Urban Renewal Fund - Capital Outlay	1,740
Bancroft Bond Fund - Debt Service	152

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City'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