



Tualatin Development Commission



Financial Statements

For Fiscal Year
ended
June 30, 2023



**TUALATIN DEVELOPMENT COMMISSION –
A COMPONENT UNIT OF THE CITY OF TUALATIN**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY DATA**

For the Fiscal Year Ended

June 30, 2023

Prepared by the City of Tualatin – Department of Finance

Don Hudson, Assistant City Manager / Finance Director

Matt Warner, Assistant Finance Director

TUALATIN DEVELOPMENT COMMISSION
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INTRODUCTORY SECTION

**TUALATIN DEVELOPMENT COMMISSION
BOARD OF COMMISSIONERS
June 30, 2023**

Commissioners

Term Expires

Frank Bubenik, Mayor

December 31, 2026

Maria Reyes, Position No. 1

December 31, 2026

Christen Sacco, Position No. 2

December 31, 2024

Bridget Brooks, Position No. 3

December 31, 2026

Cyndy Hillier, Position No. 4

December 31, 2024

Octavio Gonzalez, Position No. 5

December 31, 2026

Valerie Pratt, Commission President, Position No. 6

December 31, 2024

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Commission Officials
Tualatin Development Commission
Tualatin, Oregon

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the Tualatin Development Commission (the "Commission"), a component unit of the City of Tualatin, Oregon (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commission, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Audit of the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 - 9 and the other "Required Supplementary Information", as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the management's discussion and analysis, as listed in the table of contents under required supplementary information, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The schedule of revenues, expenditures and changes in fund balance – budget to actual General Fund, as listed in the table of contents under required supplementary information, is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with audited standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The individual nonmajor fund schedules of revenues, expenditures and changes in fund balance – budget to actual are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual nonmajor fund schedules of revenues, expenditures and changes in fund balance – budget to actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Commission Officials
Tualatin Development Commission
Independent Auditor's Report
May 22, 2024

Other Reporting Required by Oregon State Regulations

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated May 22, 2024 on our consideration of the Commission's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not provide an opinion on compliance.

Singer Lewak LLP

May 22, 2024

By:



Brad Bingenheimer, Partner

**TUALATIN DEVELOPMENT COMMISSION
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2023**

As management of the Tualatin Development Commission (the Commission), a component unit of the City of Tualatin (the City), Oregon, we offer the readers of the financial statements this narrative presenting an overview and analysis of the financial activities of the Commission for the fiscal year ended June 30, 2023. The analysis focuses on significant financial issues, major financial activities, and resulting changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements and notes that follow.

Financial Highlights

- The assets of the Commission totaled approximately \$20.9 million at June 30, 2023, and consisted of approximately \$3.3 million in cash and investments along with capital assets of approximately \$17.6 million.
- Net position (assets minus liabilities) was approximately \$20.8 million at June 30, 2023.
- As of June 30, 2023, the Commission had no outstanding debt.
- Total net position of the Commission decreased by approximately \$1.4 million during fiscal year 2023. This decrease is primarily attributable to the depreciation of the Commission’s capital assets.

Overview of Financial Statements

The Commission’s basic financial statements and other required supplementary information are presented using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34. The basic financial statements are comprised of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

The basic financial statements present financial information about the Commission as a whole and about its activities. Following the basic financial statements is the required supplementary information which provides a budgetary comparison for the Commission’s General Fund. Finally, completing the document is other supplementary information and the report of the independent certified public accountants, as required by statute.

Government-wide Financial Statements

The government-wide financial statements are comprised of the Statement of Net Position and the Statement of Activities and were designed to provide readers with a broad overview of the Commission’s finances, in a manner similar to a private-sector business i.e. from the economic resources measurement focus using the accrual basis of accounting.

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

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

**TUALATIN DEVELOPMENT COMMISSION
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2023**

extend to other non-financial factors such as the condition of Commission 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 Commission’s net position changed during the most recent fiscal year. All changes in net position 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). The obvious advantage to such an approach is to nurture a long-term prospective by emphasizing the effects that yearly budget decisions have on long-term goals.

The functions of the Commission are principally supported by taxes and intergovernmental revenues (*governmental activities*).

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

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

Fund Financial Statements

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

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

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

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

The Tualatin Development Commission consists of three funds: the General Fund, the Leveton Tax Increment District Project Fund and the Southwest Urban Renewal District Bond Fund. All are governmental funds

**TUALATIN DEVELOPMENT COMMISSION
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2023**

Notes to the Financial Statements

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

Government-wide Financial Analysis

This section discusses and analyzes significant changes from the prior year.

Statement of Net Position

A condensed version of the Statement of Net Position as of June 30 is as follows:

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Current and other assets	\$ 3,329,602	\$ 3,459,401	\$ (129,799)
Capital assets, net	<u>17,609,804</u>	<u>18,795,334</u>	<u>(1,185,530)</u>
Total assets	20,939,406	22,254,735	(1,315,329)
Current liabilities	<u>165,181</u>	<u>61,114</u>	<u>104,067</u>
Net position:			
Net investment in capital assets	17,606,282	18,795,334	(1,189,052)
Restricted	<u>3,167,943</u>	<u>3,398,287</u>	<u>(230,344)</u>
Total net position	<u>\$ 20,774,225</u>	<u>\$ 22,193,621</u>	<u>\$ (1,419,396)</u>

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the Commission, assets exceed liabilities by \$20,774,225 at the end of the most recent fiscal year. The largest portion of the Commission’s net position reflects the net investment in capital assets (e.g., buildings and land). The Commission develops these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

**TUALATIN DEVELOPMENT COMMISSION
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2023**

Statement of Activities

The Commission’s Statement of Activities for the fiscal years ended June 30 is as follows:

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Revenues:			
Property taxes	\$ 135,777	\$ -	\$ 135,777
Interest and miscellaneous	71,438	(46,782)	118,220
Total revenue	<u>207,215</u>	<u>(46,782)</u>	<u>253,997</u>
Expenses:			
Community Development	295,780	250,703	45,077
Depreciation	1,330,831	1,330,831	-
Total expenses	<u>1,626,611</u>	<u>1,581,534</u>	<u>45,077</u>
Change in net position before transfers	(1,419,396)	(1,628,316)	208,920
Change in net position	<u>(1,419,396)</u>	<u>(1,628,316)</u>	<u>208,920</u>
Net position, beginning	<u>22,193,621</u>	<u>23,821,937</u>	<u>(1,628,316)</u>
Net position, ending	<u>\$ 20,774,225</u>	<u>\$ 22,193,621</u>	<u>\$ (1,419,396)</u>

Tax increment revenue collection began in the Southwest Urban Renewal District in fiscal year 2022/2023, contributing to an increase in revenue of approximately \$253k when compared with the prior year. Total expenses remained consistent with with the prior year, increasing approximately \$45k.

Capital Assets

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

As of June 30, 2023, the Commission had invested \$17.6 million in capital assets, net of depreciation as reflected in the following table, which represents a net decrease (additions less deductions and depreciation) of \$1.3 million.

	June 30,		
	<u>2023</u>	<u>2022</u>	<u>Change</u>
Land	\$ 4,614,466	\$ 4,614,466	\$ -
Construction in progress	145,301	-	145,301
Improvements and infrastructure	33,606,863	33,606,863	-
Less accumulated depreciation	<u>(20,756,826)</u>	<u>(19,425,995)</u>	<u>(1,330,831)</u>
Total Capital Assets, net	<u>\$ 17,609,804</u>	<u>\$ 18,795,334</u>	<u>\$ (1,185,530)</u>

Please refer to Note 3 of the basic financial statements for further detailed information on the Commission’s capital assets.

**TUALATIN DEVELOPMENT COMMISSION
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2023**

Debt Administration

As of June 30, 2023, the Commission had no outstanding debt.

Discussion of Significant Changes in Individual Fund Balances

The General Fund is the chief operating fund of the Commission. At the end of the current fiscal year, the total fund balance was \$147,995, a decrease of \$284,714 when compared to the prior year. The decrease is attributable to annual operating costs and payments to the City of Tualatin for services provided to the Commission.

The Leveton Tax Increment District Project Fund ending fund balance decreased in 2023 to \$2,880,813 from \$2,965,578 in 2022. The decrease in fund balance is due to capital outlay expenditures on the Herman Road Improvement project beginning during fiscal year 2023.

The Southwest Urban Renewal District Bond began collecting tax increment revenue in FY 2023, resulting in an increase in fund balance of \$134,563.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year, there was no need for any amendments to increase either the original estimated revenues or original budgeted appropriations.

Final budget compared to actual results. A review of actual revenues compared to estimated amounts yields no significant variances worth noting.

A review of actual expenditures compared to the appropriations in the final budget yields no significant variances with one exception. Payments to the City of Tualatin for annual operating expenses has been budgeted as an operating transfer, however, in the current fiscal year, it was determined that this is more appropriately categorized as a special payment and has been reported as such in the budgetary statements.

Economic Factors and Next Year’s Budget

As the Herman Road Improvement project moves forward, it is anticipated that the fund balance in the Leveton Tax Increment District Project Fund will continue to be spent down. The Commission is reviewing cost estimates to complete remaining projects and any balances that may be remaining in the Leveton Tax Increment District upon completion of the Herman Road Improvement Project.

Collection of tax increment revenue will continue to increase in the Southwest Urban Renewal District Bond Fund with a budget of \$134,000 in property tax revenue for fiscal year 2023/2024.

Request for information

The Commission’s financial statements are designed to present users including taxpayers, citizens, customers, investors and creditors with a general overview of the Commission’s finances and overall accountability. If you have any questions about the contents of this report, or need additional financial information, please contact the City of Tualatin’s Finance Director at 18880 S.W. Martinazzi Avenue, Tualatin, Oregon, 97062.

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BASIC FINANCIAL STATEMENTS

TUALATIN DEVELOPMENT COMMISSION
STATEMENT OF NET POSITION
June 30, 2023

	Governmental Activities
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 3,313,417
Due from other governments	308
Accounts receivable	14,555
Property taxes receivable	1,322
	<hr/>
Total current assets	3,329,602
	<hr/>
Noncurrent assets:	
Capital assets:	
Nondepreciable	4,759,767
Depreciable, net	12,850,037
	<hr/>
Total noncurrent assets	17,609,804
	<hr/>
Total assets	\$ 20,939,406
	<hr/> <hr/>
LIABILITIES:	
Current liabilities:	
Accounts payable and other current liabilities	\$ 161,659
Retainage payable	3,522
	<hr/>
Total liabilities	165,181
	<hr/>
NET POSITION:	
Net investment in capital assets	17,606,282
Restricted for:	
Urban renewal projects	3,167,943
	<hr/>
Total net position	20,774,225
	<hr/>
Total liabilities and net position	\$ 20,939,406
	<hr/> <hr/>

The notes to financial statements are an integral part of this statement.

TUALATIN DEVELOPMENT COMMISSION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

	Expenses	Program Revenues		Net Revenue (Expenses) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
EXPENSES:				
Community development	\$ 295,780	\$ -	\$ -	\$ (295,780)
Depreciation	1,330,831	-	-	(1,330,831)
Total activities	<u>\$ 1,626,611</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,626,611)</u>
GENERAL REVENUES:				
Property taxes				135,777
Interest				71,414
Miscellaneous Revenues				<u>24</u>
Total general revenues				<u>207,215</u>
Change in net position				(1,419,396)
NET POSITION, BEGINNING				<u>22,193,621</u>
NET POSITION, ENDING				<u><u>\$ 20,774,225</u></u>

The notes to financial statements are an integral part of this statement.

TUALATIN DEVELOPMENT COMMISSION
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2023

	General Fund	Leveton Tax Increment District Project Fund	Southwest Urban Renewal District Bond Fund	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 202,107	\$ 2,977,913	\$ 133,397	\$ 3,313,417
Due from other governments	-	-	308	308
Accrued interest receivable	888	13,081	586	14,555
Property taxes receivable	-	-	1,322	1,322
Total assets	\$ 202,995	\$ 2,990,994	\$ 135,613	\$ 3,329,602
LIABILITIES:				
Accounts payable and other current liabilities	\$ 55,000	\$ 106,659	\$ -	\$ 161,659
Retainage payable	-	3,522	-	3,522
Total liabilities	55,000	110,181	-	165,181
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property tax revenue	-	-	1,050	1,050
Total deferred inflows of resources	-	-	1,050	1,050
FUND BALANCES:				
Restricted for:				
Urban renewal projects	147,995	2,880,813	134,563	3,163,371
Total fund balance	147,995	2,880,813	134,563	3,163,371
Total liabilities and fund balance	\$ 202,995	\$ 2,990,994	\$ 135,613	

Amounts reported in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.	17,609,804
Unavailable revenue - property taxes	1,050
Net position	\$ 20,774,225

The notes to financial statements are an integral part of this statement.

**TUALATIN DEVELOPMENT COMMISSION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2023**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Interest	\$ 3,600	\$ 3,600	\$ 6,955	\$ 3,355
Total revenues	3,600	3,600	6,955	3,355
EXPENDITURES:				
Materials and service	438,400	438,400	71,900	366,500
Special Payments	-	-	223,880	(223,880)
Contingency	30,230	30,230	-	30,230
Total expenditures	468,630	468,630	295,780	172,850
Excess (deficiency) of revenues over (under) expenditures	(465,030)	(465,030)	(288,825)	176,205
OTHER FINANCING SOURCES (USES):				
Transfers out	(223,880)	(223,880)	-	223,880
Total other financing sources (uses)	(223,880)	(223,880)	-	223,880
Net changes in fund balances	(688,910)	(688,910)	(288,825)	400,085
FUND BALANCES, BEGINNING	688,910	688,910	441,349	(247,561)
FUND BALANCES, ENDING	\$ -	\$ -	152,524	\$ 152,524
Adjustment to generally accepted accounting principles (GAAP) basis:				
Unrealized gain (loss) on investments			(4,529)	
Fund balance - GAAP basis			\$ 147,995	

The notes to financial statements are an integral part of this statement

TUALATIN DEVELOPMENT COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

Amounts reported in the statement of activities are different because:

Net change in fund balance	\$ (234,916)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.	(1,185,530)
Some revenues reported in the statement of activities do not provide current financial resources in the governmental funds.	<u>1,050</u>
Changes in net position	<u><u>\$ (1,419,396)</u></u>

The notes to financial statements are an integral part of this statement.

TUALATIN DEVELOPMENT COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

(1) Organization and Summary of Significant Accounting Policies

These financial statements of the Tualatin Development Commission (the Commission) have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The financial statements have incorporated all applicable GASB pronouncements.

A. Description of Reporting Entity

The Commission (a component unit of the City of Tualatin) was established on September 23, 1974, to provide for rehabilitation of blighted and deteriorated areas within the City's designated urban renewal area. The City Council of the City of Tualatin is the governing body of the Commission.

The component unit financial statements of the Commission include all funds of the Commission, and the Board of Commissioners are not financially accountable for any other governmental entity. Financial accountability is determined in accordance with criteria set forth in accounting principles generally accepted in the United States of America, primarily on the basis of authority to appoint voting majority of an organization's governing board, ability to impose its will on that organization, the potential for that organization to provide specific benefits or impose specific financial burdens and that organization's fiscal dependency. The Commission is a component unit of the City of Tualatin and, as such is included in the financial statements of the City of Tualatin for the year ended June 30, 2023.

B. Basic Financial Statements

The Commission's financial operations are presented at both the government-wide and fund financial levels. All activities on the Commission are categorized as governmental.

Government-wide financial statements

The Commission uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

TUALATIN DEVELOPMENT COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

Fund financial statements

These statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, and fiduciary. Currently the Commission has only governmental fund types.

C. Basis of Presentation

The financial transactions of the Commission are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The GASB 34 model sets forth minimum criteria (percentage of the assets liabilities, revenues or expenditures/expenses of either fund category or the governmental and proprietary combined) for the determination of major funds. For purposes of presentation, each of the Commission's funds are presented as major funds.

The Commission uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities.

The Economic Development Administration Fund is used to account for the financial operation of the Commission that is not accounted for in any other fund.

The Leveton Tax Increment District Project Fund is used to account 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 Southwest Urban Renewal District Bond Fund was established in 2021 and records the tax increment revenue of the Basalt Creek and Southwest Industrial Concept Area.

D. Measurement Focus and Bases of Accounting

Measurement focus is a term used to describe which transactions are recorded with the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus.

The Commission-wide financial statements are reported using the *economic resources measurement focus* and the *full accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, long-term compensated absences are recorded only when payment is due.

TUALATIN DEVELOPMENT COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the Commission-wide statements, reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the Commission-wide presentation.

E. Cash and Cash Equivalents

The Commission maintains cash and investments in a common pool of the City. Investments with a remaining maturity of more than one year are reported in accordance with GASB Statement No. 31 and 72. Interest earned on the pooled cash and investments is allocated monthly based on the average cash balance as a proportion of the City's total pooled cash and investments. Additional disclosure on the cash and investments can be found in the Annual Comprehensive Financial Report of the City.

F. Capital Assets

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

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

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

Assets	Years
Buildings and improvements	25-40
Improvements	10-50
Machinery and equipment	5-10
Infrastructure	20-50

G. Net Position

In the commission-wide financial statements, net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets represents capital assets less accumulated depreciation less outstanding principal of related debt. Net investment in capital assets does not include the unspent proceeds of capital debt. Restricted net position represents net position restricted by parties outside of the Commission (such as creditors, grantors, contributors, laws, and regulations of other governments) and includes unspent proceeds of bonds issued to acquire or construct capital assets.

TUALATIN DEVELOPMENT COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

H. Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Commission is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – non-spendable, restricted, committed, assigned and unassigned.

Non-Spendable – Includes items not immediately converted to cash, such as prepaid items and inventory.

Restricted – Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.

Committed – Includes amounts that have been committed by resolution by the Commission’s Board of Commissioners which is the Commission’s “highest level of decision-making authority.” Committed amounts may not be used for any other purpose unless the Board of Commissioners removes the constraint by similar board action. Commitments of fund balance must be made prior to the end of the fiscal year.

Assigned – Includes amounts assigned for specific purposes by Commission action. Assigned fund balance is established by the Commission through adoption or amendment of the budget as intended for specific purposes.

Unassigned – This is the residual classification used for those balances not assigned to another category.

Use of restricted resources, when both restricted and unrestricted resources are available for use, it is the Commission’s policy to use restricted resources first, then unrestricted resources, as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the Commission’s policy to use committed resources first, then assigned, and then unassigned as they are needed.

I. Use of Estimates

In preparing the Commission’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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Cash and Investments

The Commission reported \$3,313,417 as cash and investments on the Statement of Net Position. Additional disclosure relating to cash and investments can be found in the City’s Annual Comprehensive Financial Report.

TUALATIN DEVELOPMENT COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

(3) Capital Assets

Capital asset activity for the ended June 30, 2023, was as follows:

Primary Government	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, non-depreciable:				
Land	\$ 4,614,466	\$ -	\$ -	\$ 4,614,466
Construction in Progress	-	145,301	-	145,301
Total capital assets, non-depreciable	<u>4,614,466</u>	<u>145,301</u>	<u>-</u>	<u>4,759,767</u>
Capital assets, depreciable:				
Improvements	16,795,885	-	-	16,795,885
Infrastructure	16,810,978	-	-	16,810,978
Total capital assets, depreciable	<u>33,606,863</u>	<u>-</u>	<u>-</u>	<u>33,606,863</u>
Less accumulated depreciation for:				
Improvements	(5,981,025)	(538,563)	-	(6,519,588)
Infrastructure	(13,444,970)	(792,268)	-	(14,237,238)
Total accumulated depreciation	<u>(19,425,995)</u>	<u>(1,330,831)</u>	<u>-</u>	<u>(20,756,826)</u>
Net depreciable capital assets	<u>14,180,868</u>	<u>(1,330,831)</u>	<u>-</u>	<u>12,850,037</u>
Net capital assets	<u>\$ 18,795,334</u>	<u>\$ (1,185,530)</u>	<u>\$ -</u>	<u>\$ 17,609,804</u>

(5) Risk Management

The Commission is exposed to various risks of loss and insurance coverage is provided by the City of Tualatin, which carries commercial insurance. Settled claims resulting from risks of loss have not exceeded commercial insurance coverage in any of the past three years.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements.

- Budgetary Comparison Schedules
 - General Fund

**TUALATIN DEVELOPMENT COMMISSION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2023**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Interest	\$ 3,600	\$ 3,600	\$ 6,955	\$ 3,355
Total revenues	3,600	3,600	6,955	3,355
EXPENDITURES:				
Materials and service	438,400	438,400	71,900	366,500
Special Payments	-	-	223,880	(223,880)
Contingency	30,230	30,230	-	30,230
Total expenditures	468,630	468,630	295,780	172,850
Revenues under expenditures	(465,030)	(465,030)	(288,825)	176,205
OTHER FINANCING SOURCES (USES):				
Transfers out	(223,880)	(223,880)	-	223,880
Total other financing sources (uses)	(223,880)	(223,880)	-	223,880
Net changes in fund balances	(688,910)	(688,910)	(288,825)	400,085
FUND BALANCES, BEGINNING	688,910	688,910	441,349	(247,561)
FUND BALANCES, ENDING	\$ -	\$ -	152,524	\$ 152,524
Adjustment to generally accepted accounting principles (GAAP) basis:				
Unrealized gain (loss) on investments			(4,529)	
Fund balance - GAAP basis			\$ 147,995	

TUALATIN DEVELOPMENT COMMISSION
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2023

Budgetary Information

The Commission budgets its fund on the modified accrual basis of accounting. Budget appropriations lapse at the end of each fiscal year. Appropriations are adopted in the categories of personal services, materials and services, and capital outlay. Actual expenditures may not legally exceed appropriations in any of the categories.

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OTHER SUPPLEMENTARY INFORMATION

OTHER SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES

Pursuant to the provisions of Oregon Revised Statute, an individual schedule of revenues, expenditures, and changes in fund balances - budget and actual be displayed for each fund where legally adopted budgets are required.

These Budgetary Comparison schedules included the following:

Capital Project Funds

Leveton Tax Increment District Project Fund

Debt Service Funds

Southwest Urban Renewal District Bond Fund

**TUALATIN DEVELOPMENT COMMISSION
LEVEYON TAX INCREMENT DISTRICT PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2023**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Interest	\$ 10,000	\$ 10,000	\$ 75,382	\$ 65,382
Total revenues	10,000	10,000	75,382	65,382
EXPENDITURES:				
Capital outlay	3,010,000	3,010,000	145,301	2,864,699
Total expenditures	3,010,000	3,010,000	145,301	2,864,699
Revenues under expenditures	(3,000,000)	(3,000,000)	(69,919)	2,930,081
Net changes in fund balances	(3,000,000)	(3,000,000)	(69,919)	2,930,081
FUND BALANCES, BEGINNING	3,000,000	3,000,000	3,017,463	17,463
FUND BALANCES, ENDING	\$ -	\$ -	2,947,544	\$ 2,947,544
Adjustment to generally accepted accounting principles (GAAP) basis:				
Unrealized gain (loss) on investments			(66,731)	
Fund balance - GAAP basis			\$ 2,880,813	

**TUALATIN DEVELOPMENT COMMISSION
SOUTHWEST URBAN RENEWAL DISTRICT BOND FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2023**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 24	\$ 24
Property taxes	62,015	62,015	134,727	72,712
Interest	315	315	2,801	2,486
	<u>62,330</u>	<u>62,330</u>	<u>137,552</u>	<u>75,222</u>
Total revenues				
	62,330	62,330	137,552	75,222
Net changes in fund balances				
	-	-	-	-
FUND BALANCES, BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 62,330</u>	<u>\$ 62,330</u>	137,552	<u>\$ 75,222</u>
Adjustment to generally accepted accounting principles (GAAP) basis:				
Unrealized gain (loss) on investments			<u>(2,989)</u>	
			<u>\$ 134,563</u>	

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**INDEPENDENT AUDITOR'S REPORT REQUIRED
BY OREGON STATE REGULATION**

**INDEPENDENT AUDITOR'S REPORT REQUIRED BY
OREGON STATE REGULATIONS**

Commission Officials
Tualatin Development Commission
Tualatin, Oregon

We have audited the basic financial statements of the Tualatin Development Commission (the "Commission") as of and for the year ended June 30, 2023, and have issued our report thereon dated May 22, 2024. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-010-000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. 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.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- Deposit of public funds with financial institutions (ORS Chapter 295)
- Indebtedness limitations, restrictions and repayment
- Budgets legally required (ORS Chapter 294)
- Insurance and fidelity bonds in force or required by law
- Programs funded from outside sources
- Authorized investment of surplus funds (ORS Chapter 294)
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)

In connection with our testing nothing came to our attention that caused us to believe the Commission was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-010-000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except for the following:

Commission Officials
Tualatin Development Commission
Independent Auditor's Report Required by Oregon State Regulations
May 22, 2024

Budgets legally required (ORS Chapter 294)

The General fund budgeted transfers for \$223,880 for the year ended June 30, 2023, but the related expenditures were incurred and reported as a Special Payment during the year.

OAR 162-010-0230 Internal Control

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

Restriction of Use

This report is intended solely for the information and use of the Commission Officials, management of the Tualatin Development Commission and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

May 22, 2024

By:



Brad Bingenheimer, Partner