

FISCAL YEAR

2021



City of Tualatin

TUALATIN DEVELOPMENT COMMISSION



FINANCIAL STATEMENTS

FOR FISCAL YEAR
ENDED

JUNE 30, 2021



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

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY DATA**

For the Fiscal Year Ended

June 30, 2021

Prepared by the City of Tualatin – Department of Finance

Don Hudson, Assistant City Manager / Finance Director

TUALATIN DEVELOPMENT COMMISSION

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INTRODUCTORY SECTION

**TUALATIN DEVELOPMENT COMMISSION
BOARD OF COMMISSIONERS
June 30, 2021**

Commissioners

Term Expires

Frank Bubenik, Mayor	December 31, 2022
Maria Reyes, Position No. 1	December 31, 2022
Christen Sacco, Position No. 2	December 31, 2024
Bridget Brooks, Position No. 3	December 31, 2022
Cyndy Hillier, Position No. 4	December 31, 2024
Nancy Grimes, Commission President, Position No. 5	December 31, 2022
Valerie Pratt, Position No. 6	December 31, 2024

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
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, a component unit of the City of Tualatin, Oregon, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Tualatin Development 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 Tualatin Development Commission, as of June 30, 2021, 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 Tualatin Development 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 Financial Statements

The Tualatin Development Commission's management is responsible for the preparation and fair presentation of these 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 Tualatin Development 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 Tualatin Development 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 Tualatin Development 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 required supplementary information, such as management's discussion and analysis and schedule of revenues, expenditures and changes in fund balance – budget and actual, as listed in the table of contents under required supplementary information, 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 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 and actual, as listed in the table of contents under required supplementary 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. Such 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, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tualatin Development Commission's basic financial statements. The accompanying other supplementary data, as listed in the table of contents including the schedules of revenues, expenditures, and changes in fund balances – budget and 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 other supplementary data, as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Reports on Other Legal and Regulatory Requirements

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated January 28, 2022, on our consideration of the Tualatin Development 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 to provide an opinion on compliance.



For Merina+Co
Tualatin, Oregon
January 28, 2022

TUALATIN DEVELOPMENT COMMISSION MANAGEMENT’S DISCUSSION AND ANALYSIS June 30, 2021

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, 2021. 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 \$23.9 million at June 30, 2021, and consisted of approximately \$3.8 million in cash and investments along with capital assets of approximately \$20.1 million.
- Net position (assets minus liabilities) was approximately \$23.8 million at June 30, 2021.
- As of June 30, 2021, the Commission had no outstanding debt.
- Total net position of the Commission decreased by approximately \$1.5 million during fiscal year 2021. 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 Economic Development Administration 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”.

TUALATIN DEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

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

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

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

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

**TUALATIN DEVELOPMENT COMMISSION
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2021**

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 two funds: the Economic Development Administration Fund and the Leveton Tax Increment District Project Fund. Both are governmental funds; the Economic Development Administration Fund is considered a special revenue fund and the Leveton Project Fund is a capital project fund that accounts for the urban renewal expenditures for construction of various projects.

Notes to the Financial Statements

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

Government-wide Financial 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:

	2021	2020	Change
Current and other assets	\$ 3,764,482	\$ 3,890,563	\$ (126,081)
Capital assets, net	20,126,165	21,456,996	(1,330,831)
Total assets	23,890,647	25,347,559	(1,456,912)
Current liabilities	68,710	64,298	4,412
Net position:			
Net investment in capital assets	20,126,165	21,456,996	(1,330,831)
Restricted	3,695,772	3,826,265	(130,493)
Total net position	\$ 23,821,937	\$ 25,283,261	\$ (1,461,324)

TUALATIN DEVELOPMENT COMMISSION
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2021

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 \$23,821,937 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.

Statement of Activities

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

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Revenues:			
Interest and miscellaneous	<u>\$ 22,397</u>	<u>\$ 356,114</u>	<u>\$ (333,717)</u>
Expenses:			
Community Development	74,290	338,101	(263,811)
Depreciation	<u>1,330,831</u>	<u>1,341,434</u>	<u>(10,603)</u>
Total expenses	<u>1,405,121</u>	<u>1,679,535</u>	<u>(274,414)</u>
Change in net position before transfers	(1,382,724)	(1,323,421)	(59,303)
Transfers	<u>(78,600)</u>	<u>(4,210,842)</u>	<u>4,132,242</u>
Change in net position	<u>(1,461,324)</u>	<u>(5,534,263)</u>	<u>4,072,939</u>
Net position, beginning	<u>25,283,261</u>	<u>30,817,524</u>	<u>(5,534,263)</u>
Net position, ending	<u>\$ 23,821,937</u>	<u>\$ 25,283,261</u>	<u>\$ (1,461,324)</u>

As tax increment revenues ceased in fiscal year 2010, the primary source of revenue is interest income. Total expenses, excluding transfers, decreased by a total of \$274,414 primarily as a result of the issuance of approximately \$250,000 in small business grants issued in the prior year in response to the COVID-19 global pandemic.

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, 2021, the Commission had invested \$20.1 million in capital assets, net of depreciation as reflected in the following table, which represents a net decrease (additions less deductions and depreciation) of \$5.5 million.

**TUALATIN DEVELOPMENT COMMISSION
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2021**

	June 30,		
	2021	2020	Change
Land	\$ 4,614,466	\$ 4,614,466	\$ -
Improvements and infrastructure	33,606,863	33,606,863	-
Less accumulated depreciation	(18,095,164)	(16,764,333)	(1,330,831)
Total Capital Assets, net	<u>\$ 20,126,165</u>	<u>\$ 21,456,996</u>	<u>\$ (1,330,831)</u>

Please refer to Note 4 of the basic financial statements for further detailed information on the Commission’s capital assets.

Debt Administration

As of June 30, 2021, the Commission had no outstanding debt.

Discussion of Significant Changes in Individual Fund Balances

The Leveton Tax Increment District Project Fund ending fund balance decreased in 2021 to \$3,378,000 from \$3,423,822 in 2020. The decrease in fund balance is due to transfers out to the City of Tualatin, which were partially offset by interest earnings.

Economic Factors and Next Year’s Budget

The Commission is reviewing cost estimates to complete remaining projects and any balances that may be remaining in the Leveton Tax Increment District. Should there be any remaining funds available, the Commission will discuss options for the balances.

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.

BASIC FINANCIAL STATEMENTS

TUALATIN DEVELOPMENT COMMISSION
STATEMENT OF NET POSITION
June 30, 2021

	Governmental Activities
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 3,761,069
Accounts receivable	3,413
Total current assets	3,764,482
Noncurrent assets:	
Capital assets:	
Nondepreciable	4,614,466
Depreciable, net	15,511,699
Total noncurrent assets	20,126,165
Total assets	\$ 23,890,647
LIABILITIES:	
Current liabilities:	
Accounts payable and other current liabilities	\$ 68,710
NET POSITION:	
Net investment in capital assets	20,126,165
Restricted for:	
Urban renewal projects	3,695,772
Total net position	23,821,937
Total liabilities and net position	\$ 23,890,647

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

TUALATIN DEVELOPMENT COMMISSION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

		Program Revenues		Net Revenue (Expenses) and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
EXPENSES:				
Community development	\$ 74,290	\$ -	\$ -	\$ (74,290)
Depreciation	1,330,831	-	-	(1,330,831)
Total activities	<u>\$ 1,405,121</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,405,121)</u>
GENERAL REVENUES:				
Interest				22,397
Transfers to the City of Tualatin, net				<u>(78,600)</u>
Total general revenues				<u>(56,203)</u>
Change in net position				(1,461,324)
NET POSITION, BEGINNING				<u>25,283,261</u>
NET POSITION, ENDING				<u>\$ 23,821,937</u>

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

TUALATIN DEVELOPMENT COMMISSION
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2021

	Economic Development Administration Fund	Leveton Tax Increment District Project Fund	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	\$ 375,453	\$ 3,385,616	\$ 3,761,069
Accrued interest receivable	341	3,072	3,413
Total assets	<u>\$ 375,794</u>	<u>\$ 3,388,688</u>	<u>\$ 3,764,482</u>
LIABILITIES:			
Accounts payable and other current liabilities	\$ 68,710	\$ -	\$ 68,710
Total liabilities	<u>68,710</u>	<u>-</u>	<u>68,710</u>
FUND BALANCES:			
Restricted for:			
Urban renewal projects	<u>307,084</u>	<u>3,388,688</u>	<u>3,695,772</u>
Total fund balance	<u>307,084</u>	<u>3,388,688</u>	<u>3,695,772</u>
Total liabilities and fund balance	<u>\$ 375,794</u>	<u>\$ 3,388,688</u>	

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.	<u>20,126,165</u>
Net position	<u>\$ 23,821,937</u>

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

TUALATIN DEVELOPMENT COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

	Economic Development Administration Fund	Leveton Tax Increment District Project Fund	Total Governmental Funds
REVENUES:			
Interest	\$ 3,612	\$ 18,785	\$ 22,397
Total revenues	3,612	18,785	22,397
EXPENDITURES:			
Current:			
Community development	74,290	-	74,290
Total expenditures	74,290	-	74,290
Revenues under expenditures	(70,678)	18,785	(51,893)
OTHER FINANCING SOURCES (USES):			
Transfers out	-	(78,600)	(78,600)
Total other financing uses	-	(78,600)	(78,600)
Net change in fund balances	(70,678)	(59,815)	(130,493)
FUND BALANCE, BEGINNING	377,762	3,448,503	3,826,265
FUND BALANCE, ENDING	\$ 307,084	\$ 3,388,688	\$ 3,695,772

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, 2021

Amounts reported in the statement of activities are different because:

Net change in fund balance	\$ (130,493)
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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.	<u>(1,330,831)</u>
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Changes in net position	<u><u>\$ (1,461,324)</u></u>
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The notes to financial statements are an integral part of this statement.

TUALATIN DEVELOPMENT COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

(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, 2021.

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, 2021

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.

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, 2021

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, 2021

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

At June 30, 2021 investments included in cash and cash equivalents consist of the following:

	Fair Value
Investments in the State Treasurer’s Local Government Investment Pool	<u><u>\$ 2,806,870</u></u>

TUALATIN DEVELOPMENT COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

A. Interest rate risk

The Commission does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Currently, the Commission maintains excess cash in the Local Government Investment Pool.

B. Credit Risk

State statutes authorize the Commission to invest in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, and the State Treasurer's Oregon Local Government Investment Pool, among others. The Commission has no investment policy that would further limit its investment choices. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations, but is not regulated by other laws, organizations or regulations. The reported value of the Pool is the same as the fair value of Pool shares. Investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). The State Treasurer's Oregon Local Government Investment Pool is not registered with the SEC as an investment company and is unrated.

The Commission's investment in the Local Government Investment Pool is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form.

C. Concentration of credit risk

All investments of the Commission shall be made in accordance with Oregon Revised Statutes: ORS 294.035 (Investment of surplus finds of political subdivisions; approved investments), ORS 294.040 (Restriction on investments under ORS 294.035), ORS 294.135 (Investment maturity dates), ORS 294.145 (Prohibited conduct for custodial officer), ORS 294.805 to 294.895 (Local Government Investment Pool). Any revisions or extensions of these sections of the ORS shall be assumed to be part of this investment policy immediately upon being enacted.

D. Custodial credit risk - deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Commission's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the Commission's deposits with financial institutions up to \$250,000 for the combined total of all savings deposits and unlimited coverage for non-interest bearing transaction accounts. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are considered fully collateralized. As of June 30, 2021, none of the Commission's bank balances were exposed to custodial credit risk.

(3) Interfund Transfers

Interfund transfers are used to provide funds for debt service, contribute to the cost of capital projects, and provide operational resources. Interfund transfers for fiscal year ended June 30, 2021, were as follows:

	Transfer In	Transfer Out
Leveton Project Fund	\$ -	\$ 78,600
City of Tualatin - General Fund	78,600	-
	<u>\$ 78,600</u>	<u>\$ 78,600</u>

TUALATIN DEVELOPMENT COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

(4) Capital Assets

Capital asset activity for the ended June 30, 2021, was as follows:

Primary Government	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, non-depreciable:				
Land	\$ 4,614,466	\$ -	\$ -	\$ 4,614,466
Total capital assets, non-depreciable	4,614,466	-	-	4,614,466
Capital assets, depreciable:				
Improvements	16,795,885	-	-	16,795,885
Infrastructure	16,810,978	-	-	16,810,978
Total capital assets, depreciable	33,606,863	-	-	33,606,863
Less accumulated depreciation for:				
Improvements	(4,903,899)	(538,563)		(5,442,462)
Infrastructure	(11,860,434)	(792,268)		(12,652,702)
Total accumulated depreciation	(16,764,333)	(1,330,831)	-	(18,095,164)
Net depreciable capital assets	16,842,530	(1,330,831)	-	15,511,699
Net capital assets	\$ 21,456,996	\$ (1,330,831)	\$ -	\$ 20,126,165

(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.

(6) Subsequent Events

During March 2020, a global pandemic was declared by the World Health Organization related to the rapidly growing outbreak of a novel strain of coronavirus (COVID-19). The pandemic has significantly impacted the economic conditions in the U.S., accelerating during the first half of March, as federal, state and local governments react to the public health crisis, creating significant uncertainties in the U.S. economy. The situation is rapidly changing and additional impacts may arise that we are not aware of currently. While the disruption is currently expected to be temporary, there is uncertainty around the duration. The ultimate impact of the pandemic on the results of operations, financial position, liquidity or capital resources cannot be reasonably estimated at this time.

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
 - Economic Development Administration Fund

**TUALATIN DEVELOPMENT COMMISSION
ECONOMIC DEVELOPMENT ADMINISTRATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2021**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Interest	\$ 3,300	\$ 3,300	\$ 3,875	\$ 575
Total revenues	3,300	3,300	3,875	575
EXPENDITURES:				
Materials and service	76,550	76,550	74,290	2,260
Contingency	58,745	58,745	-	58,745
Total expenditures	135,295	135,295	74,290	61,005
Revenues under expenditures	(131,995)	(131,995)	(70,415)	61,580
Net changes in fund balances	(131,995)	(131,995)	(70,415)	61,580
FUND BALANCES, BEGINNING	131,995	131,995	376,402	244,407
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ -</u>	305,987	<u>\$ 305,987</u>
Adjustment to generally accepted accounting principles (GAAP) basis:				
Unrealized gain (loss) on investments			1,097	
Fund balance - GAAP basis			<u>\$ 307,084</u>	

TUALATIN DEVELOPMENT COMMISSION
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021

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.

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

**TUALATIN DEVELOPMENT COMMISSION
LEVETON TAX INCREMENT DISTRICT PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2021**

	Budget			Variance Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Interest	\$ 36,590	\$ 36,590	\$ 33,578	\$ (3,012)
Total revenues	36,590	36,590	33,578	(3,012)
EXPENDITURES:				
Capital outlay	1,750,000	1,750,000	-	1,750,000
Contingency	274,290	274,290	-	274,290
Total expenditures	2,024,290	2,024,290	-	2,024,290
Revenues under expenditures	(1,987,700)	(1,987,700)	33,578	2,021,278
OTHER FINANCING SOURCES (USES):				
Transfers out	(78,600)	(78,600)	(78,600)	-
Total other financing sources (uses)	(78,600)	(78,600)	(78,600)	-
Net changes in fund balances	(2,066,300)	(2,066,300)	(45,022)	2,021,278
FUND BALANCES, BEGINNING	3,354,800	3,354,800	3,423,822	69,022
FUND BALANCES, ENDING	<u>\$ 1,288,500</u>	<u>\$ 1,288,500</u>	3,378,800	<u>\$ 2,090,300</u>
Adjustment to generally accepted accounting principles (GAAP) basis:				
Unrealized gain (loss) on investments			9,888	
Fund balance - GAAP basis			<u>\$ 3,388,688</u>	

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

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH OREGON STATE REGULATION**

The Board of Commissioners
Tualatin Development Commission
Tualatin, Oregon

We have audited the basic financial statements of the Tualatin Development Commission, a component unit of the City of Tualatin, Oregon, as of and for the year ended June 30, 2021 and have issued our report thereon dated January 28, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State.

Report on Compliance

As part of obtaining reasonable assurance about whether the Tualatin Development Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-10-0000 through 162-10-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, as set forth below, noncompliance with which could have a direct and material effect on the financial statements:

- Deposits of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions, and repayments.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets. The Tualatin Development Commission does not receive highway funds.
- Authorized investment of surplus funds. (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, and 279C).
- Accountability for collecting or receiving money by elected officials. The Tualatin Development Commission does not have any elected officials collecting or receiving money.

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 tests disclosed no instances of noncompliance or other matters that are required to be reported under *Minimum Standards for Audits of Oregon Municipal Corporations*.

Internal Control Over OAR 162-10-0230

In planning and performing our audit of the financial statements, we considered the Tualatin Development Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tualatin Development Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Tualatin Development Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



For Merina+Co
Tualatin, Oregon
January 28, 2022

