

**AUDIT COMMITTEE OF THE
PORTLAND DEVELOPMENT COMMISSION**
Portland, Oregon

RESOLUTION NO. 6917

**ACCEPT AND APPROVE COMPREHENSIVE ANNUAL FINANCIAL
REPORT FOR FISCAL YEAR 2010-2011 AS REQUIRED BY OREGON
REVISED STATUTE 297.425, PORTLAND CITY CHARTER CHAPTER 15-
104, AND PDC RESOLUTION NO. 6112**

WHEREAS, the Oregon Revised Statute 297.425 requires that “the accounts and fiscal affairs of every municipal corporation shall be audited and reviewed at least once each calendar or fiscal year”;

WHEREAS, the Portland City Charter Chapter 15-104 requires that “the Commission shall provide for an annual comprehensive independent audit of all funds and accounts of the Commission by a qualified Certified Public Accountant or firm of such accountants selected with the approval of the City Auditor”;

WHEREAS, the Portland Development Commission Board of Commissioners (“Board”) with Resolution 6112 delegated authority to the Audit Committee of the Portland Development Commission (“Audit Committee”) to, among other things, “review and comment on management’s response to audit findings and recommendations, and provide the Board with recommendations on addressing issues identified by the auditor and/or management”;

WHEREAS, Moss Adams, LLP (“Moss Adams”) has been contracted with by the City of Portland to conduct an annual comprehensive independent audit of all funds and accounts of the Commission for the fiscal year 2010-11;

WHEREAS, based upon the independent audit, Moss Adams has audited the Portland Development Commission’s Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2011, attached hereto as Exhibit A (the “Fiscal Year 2010-11 CAFR”), and prepared a letter discussing significant matters of interest noted during the course of the annual fiscal yearend audit for fiscal year 2010-11, attached hereto as Exhibit B (the “Moss Adams Management Letter”); and

WHEREAS, management has prepared responses to the Management Letter, with such responses attached hereto as Exhibit C (the “PDC Management Responses”);

NOW, THEREFORE, BE IT RESOLVED that the PDC Board of Commissioners, acting as the PDC Audit Committee, hereby accepts and approves the Fiscal Year 2010-11 CAFR on behalf of the Commission;

BE IT FURTHER RESOLVED that the Audit Committee hereby accepts the Moss Adams Management Letter and endorses the PDC Management Responses; and

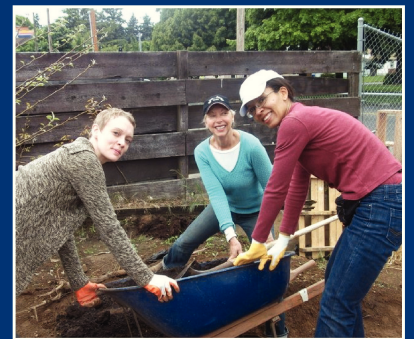
BE IT FURTHER RESOLVED that this resolution shall become effective immediately upon its adoption.

Adopted by the Portland Development Commission January 11, 2012.


Recording Secretary

PORTLAND DEVELOPMENT COMMISSION

Comprehensive Annual Financial Report
for the Fiscal Year Ended **June 30, 2011**



A Component Unit of the City of Portland, Oregon

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Created by Portland voters in 1958, PDC plays a major role in making Portland, Oregon one of America's most livable cities. As Portland's urban renewal and economic development agency, PDC is pursuing an aggressive strategy to create the most sustainable economy in the world, by connecting people and resources to achieve the city's vision of healthy neighborhoods, a vibrant central city, a strong regional economy, and quality jobs and housing for all. PDC integrates business, economic and physical development to spark job creation and attract investments that provide a full range of employment opportunities and economic benefits to all residents in the region. PDC has played a key role in the creation of many of Portland's most important landmarks, and is internationally recognized as a model for urban renewal success and sustainable practices. For more information, visit the PDC website at www.pdc.us.

Cover photo:

The June Key Delta Community Center is a small but ambitious project, spearheaded by local people of color who are not only participating in the green building movement, but pushing it to the limits with a Living Building Challenge. It serves as an example and inspiration to the community to embrace sustainability.

The Center, located at 5940 North Albina Avenue in the Humboldt neighborhood, is directly across the street from Peninsula Park and two blocks north of Portland Community College's Cascade Campus. The site is a former gas station and brownfield – a standard 1960s-style concrete and metal building with asphalt pavement that has been transformed into a Living Building demonstration project.

Established by the Portland Alumnae Chapter of the Delta Sigma Theta Sorority, Inc. and named for a longtime Portland educator, the June Key Delta Community Center delivers on the city's goals of increasing job opportunities for a diverse workforce, supporting education, and creating the nation's greenest construction sector.

Photo credits (front and back covers): Irene Bianca and Anne Morin

PORTLAND DEVELOPMENT COMMISSION

A Component Unit of the City of Portland, Oregon

Comprehensive Annual Financial Report

**Prepared by the Portland Development Commission
Finance and Business Operations**

Patrick Quinton, Executive Director
Julie V. Cody, Chief Financial Officer

For the fiscal year ended June 30, 2011

About PDC



Where We've Been...

Where We're Headed...

Created by Portland voters in 1958, the Portland Development Commission (the “Commission” or “PDC”) has played a major role in keeping Portland one of America's most livable cities. During the past 50 years, PDC has taken forward 20 urban renewal plans that have helped change the face of the city—making it a better place to live for all Portlanders. Specifically, the Commission is the City agency that helps provide sustained livability for our City and region.

PDC's Mission

Our Mission is to bring together resources to achieve Portland's vision of a diverse, sustainable community with healthy neighborhoods, a vibrant central city, a strong regional economy, and quality jobs and housing for all.

PDC's Vision

The Portland Development Commission's vision is to be a catalyst for positive change in the creation of a world-class 21st Century city; a city in which economic prosperity, quality housing, and employment opportunities are available to all.

The Commission is responsible for maintaining an accounting system and providing for a comprehensive independent financial audit. The following pages are the Commission's Comprehensive Annual Financial Report with accompanying report of independent auditor.

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Introductory Section_____

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December 12, 2011

J. Scott Andrews
Commission Chair

To the Commissioners of the Portland Development Commission,
Mayor and Members of the City Council, and the
Citizens of the City of Portland, Oregon:

Aneshka Dickson
Commissioner

John C. Mohlis
Commissioner

Steven Straus
Commissioner

Charles A. Wilhoite
Commissioner

Sam Adams
Mayor

Patrick Quinton
Executive Director

The Finance & Business Operations Department and I are pleased to submit the Portland Development Commission's (PDC or Commission) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011. State law requires that all local governments publish a complete set of financial statements within six months of the close of each fiscal year. This report is published to provide the Commissioners of PDC, the citizens of the City of Portland (City), city staff, and other readers with detailed information concerning the financial position and activities of the PDC.

Management assumes full responsibility for the completeness and reliability of all information presented in this report, including all disclosures, based upon a comprehensive internal control framework that it has established for this purpose. The management of PDC is responsible for establishing and maintaining an effective internal control structure to safeguard its assets, assure the reliability of its accounting records, and promote operational efficiency. Because the cost of such controls should not outweigh their benefits, PDC's internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free of any material misstatements.

PDC's charter requires the Commission to undergo an annual independent audit by a licensed municipal auditor. The accounting firm of Moss Adams, LLP, conducted the audit of the PDC's FY 2010-11 financial statements. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that PDC's financial statements for the fiscal year ended June 30, 2011, are fairly presented in accordance with accounting principles generally accepted in the United States of America. The independent auditor's report is presented at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it.

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PDC Profile

PDC was created as a city agency in 1958 under Article I, Section 15 of the Charter of the City of Portland, Oregon. PDC conducts its business under the name “Portland Development Commission”, though it is officially titled the Department of Development and Civic Promotion in the City of Portland’s charter. PDC’s principal activities are business retention, employment creation, affordable housing and home ownership, financial assistance for rehabilitation and restoration of properties, and the acquisition of real property for the purpose of removing or preventing blight. The governing body is a five-member Commission, appointed by the Mayor and approved by the City Council. PDC is a component unit of the City of Portland and is discretely reported in their Comprehensive Annual Financial Report.

PDC’s mission is to bring together community resources to achieve Portland’s vision of a diverse sustainable community with healthy neighborhoods, a vibrant central city, a strong regional economy, and quality jobs and housing for all. It is the linkages among these efforts and the integration of services that sets PDC apart and assures that true efficiencies are achieved. In carrying out city policy, PDC has developed and managed projects and programs which have played a major role in keeping Portland one of America’s most livable cities. PDC currently manages eleven urban renewal areas (URA’s) scattered geographically throughout the City of Portland, and works extensively in Portland’s neighborhoods to deliver a broad range of housing and neighborhood improvement programs, and to carry out a comprehensive range of economic development programs which create jobs for residents citywide.

PDC’s business is conducted at semi-monthly public meetings and all activities are guided by the annual budget. Developed in conjunction with public and private community partners, the budget concentrates PDC resources in urban renewal areas and throughout Portland’s business districts and neighborhoods. Development of the budget for business lines and key activities at the program area level is critical to PDC plans for the future. In accordance with Oregon Local Budget Law, the proposed annual budget is presented to the Portland City Council acting as the PDC Budget Committee for review and approval. Following budget committee approval, PDC submits the approved budget to the Tax Supervising and Conservation Commission (TSCC) for review and to the PDC Board of Commissioners for review, adoption, and subsequent amendment as necessary. The appropriated budget is prepared by fund and program.

Relevant Financial Policies

PDC’s charter prescribes that it maintains budgeting and accounting systems and prepare an annual budget in accordance with Oregon Local Budget Law. Funds are used to segregate activities in accordance with special restrictions on the use of revenue. Expenditures are recorded by fund and purpose on the modified accrual basis of accounting, and are further classified by program, project, and organizational unit for internal management information. Cash and other assets, related liabilities, and residual equity are segregated into independent self-

balancing funds. All capital asset and long-term debt balances are reflected in the government-wide financial statements. PDC's charter requires its cash to be deposited in the City of Portland's investment pool and invested by the City Treasurer in accordance with Oregon Revised Statutes 294.035 and 294.046. In addition, special accounts may be maintained if required, for example, by debt covenants. Interest is paid by the City of Portland to PDC, and is allocated based on each fund's periodic cash balance.

Local Economic Conditions

Portland is the financial, trade, transportation, manufacturing, and business service center for Oregon, southwest Washington, and the Columbia River Basin. The area's five largest private sector employers are Intel Corporation, Providence Health Systems, Oregon Health Science University, Fred Meyer, and the Kaiser Foundation. Trade, transportation, and utilities continue to comprise the largest industry segment of the regional economy and account for approximately 21% of local jobs.

The national economy is growing at a frustratingly slow rate and that holds true for Oregon and the Portland metropolitan area. After a strong start, second quarter job growth continued at a very slow pace statewide. The Portland metropolitan area job growth at 1% is running behind that of the State of Oregon rate of 1.6% according to the most recently published data due primarily to job losses in the government sector. The state Office of Economic Analysis cites the delayed improvement in the Housing market and the public sector pullback as the two main drags on recovery, and puts reasonable estimates on housing recovery in the 2014 – 2016 timeframe. Greater Portland, Inc, an independent economic development group, forecasts a strong future for the Portland metro area in its 2011 Greater Portland Prosperity Index. The group says the local economy's emphasis on manufacturing and trade will serve Portland well in the future, and predicts that the area's gross regional product will rise by 29% by 2013 and jobs by 7.4% or 76,200 new jobs. The Portland metropolitan area ended June 2011 with 9.0% unemployment, slightly behind the national level of 9.2% and the State of Oregon rate of 9.4% and down significantly from the 10.5% of a year ago.

Oregon statute limits the amount of property that can be included in a municipality's urban renewal areas to a maximum of 15% of assessed value and 15% of acreage. The aggregate amount of certified assessed value in the eleven urban renewal areas is approximately 10.3% of the City of Portland's total overall assessed value and 13.3% of overall acreage for the City. Each of the eleven URA's are currently projected to have adequate funding capability to pursue established plans.

Long-term Financial Planning

At present there are no known legal or legislative challenges to the funding of urban renewal activities using tax-increment financing. It is anticipated that tax-

increment resources will provide ongoing funding as detailed in the five-year forecast.

Annually, PDC forecasts projected revenues and expenditures for each of the urban renewal areas. This effort results in a five-year forecast of project and program budget requirements for the funds associated with them. To a large extent, non-urban renewal area revenues and expenditure requirements are dependent on the annual allocation of resources from external funding providers.

Future of Urban Renewal Initiative

The work of PDC is made possible for the most part by tax-increment financing. Tax-increment financing (TIF) is borrowing against future tax revenues. In May of 2007 with many of our urban renewal areas approaching critical junctures such as plan expiration or reaching the maximum indebtedness, PDC began a study to re-evaluate and update existing urban renewal plans.

The first two projects undertaken by this initiative were the Westside Study and the Lents Town Center (LTC) Plan Amendment Study, completed in 2008. The Westside Study considered the future of Portland's downtown URA's, Downtown Waterfront (DTWF), South Park Blocks (SPB), and the River District (RD), and concluded with boundary amendments to all three districts and an increase in the River District's maximum indebtedness, ensuring continued availability of funds in critical parts of downtown. The LTC Plan Amendment Study resulted in the urban renewal areas first plan amendment, including a boundary expansion and an increase in maximum indebtedness. The revised plan amendments have been implemented.

North/Northeast (N/NE) Economic Development Initiative which included an analysis of past and planned investments, possible boundary adjustments, and priorities for new investments in the Interstate Corridor and Oregon Convention Center URAs was concluded in this fiscal year. At the recommendation of the Community Advisory Committee, City Council approved the expansion of the Interstate Corridor URA on July 27, 2011. The PDC Board approved the accompanying Oregon Convention Center URA amendment on June 8, 2011.

Mayor Adams, in conjunction with Portland State University President Wim Wiewel, has proposed a new urban renewal area focused around the Portland State University District. A new district focused on education would be a major factor in job creation by leveraging public and private investment in research commercialization, entrepreneurship and business development, and investment toward a 21st century workforce.

Major Initiatives

Major initiatives cited in this section are highlights based on budgeted project dollars for the fiscal year ending in June 2012.

Overall, PDC has budgeted approximately \$36.2 million across urban renewal areas and city-wide for financial assistance through loans or grants (e.g., Economic Opportunity Funds, Redevelopment Loan Projects, Clean Energy Works Oregon) to stimulate investment and job growth, leveraging PDC dollars with private and public funds. PDC has an important role to play in the current economy and we continue to seek new ways to get more funds into our community

The Commission has budgeted \$18.3 million for new and in-progress city infrastructure improvements including parks, transportation and public facilities across most urban renewal areas. The Commission has also budgeted approximately \$52 million for Housing programs as part of the Affordable Housing Set Aside Policy and implemented via an Intergovernmental Agreement with the Portland Housing Bureau. The IGA with the Portland Housing Bureau consists of all homeownership, home repair, and affordable rental housing projects and programs including the preservation of existing housing.

The largest dollar projects are proposed to occur in the River District URA: through the Portland Housing Bureau (PHB) \$24 million will fund area Housing projects such as \$16 million for the completion of the Resource Access Center (RAC); \$4 million for the Blanchet House Redevelopment; \$4 million for the Yards at Union Station final stages. Additionally, \$2.1 million has been budgeted in Redevelopment Loan Projects to provide gap financing to building owners and developers to bring more commercial and industrial space into productive use; and \$2.7 million for the redevelopment of the Grove Hotel into a specialty youth hostel, and \$3 million in Business Lending to assist firms identified as having significant revenue and/or job growth.

In the North Macadam URA, the highest profile projects will be; Affordable Veteran Housing, \$5.3 million through PHB for the development of approximately 200 units of new rental housing targeted for households at 0-60% Median Family Income (MFI) in South Waterfront; \$3.7 million for the design and implementation of the 1,300 foot Phase I design project for the Central District Greenway Design project through an IGA with Portland Parks & Recreation.

The Convention Center URA will fund the rehabilitation and preservation of rental housing at King Parks Affordable Housing for \$1.4 million and \$1.3 million for the rehabilitation of the McCoy Apartments. Property Redevelopment projects of note include \$3.2 million for the Headquarters Hotel blocks, \$1 million for the Inn at the Convention Center, and \$8.8 million for the Rose Quarter Revitalization, including activities related to the anticipated renovation of the Veterans Memorial Coliseum. In the Central Eastside URA, \$3 million through an Intergovernmental Agreement (IGA) with Portland Bureau of Transportation will fund the Streetcar Loop through Central Eastside terminating near the Oregon Museum of Science and Industry (OMSI); \$3 million will be expended in redevelopment activities surrounding the Burnside Bridgehead. These funds will provide the implementation of the Burnside Bridgehead Framework Plan.

Approximately \$11.4 million dollars is budgeted in the Interstate Corridor and the Lents Town Center URA's for revitalization and rehabilitation projects including transportation safety. Other initiatives in these areas include; \$2 million in parks and streetscapes. Through PHB Housing projects totaling \$6.1 million in Lents and \$4.3 million in the Interstate Corridor have been budgeted.

Awards and Acknowledgements

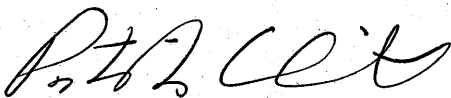
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to PDC for its CAFR for the fiscal year ended June 30, 2010. PDC has received a Certificate of Achievement for the last 23 consecutive fiscal years. GFOA's Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government comprehensive annual financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one fiscal year only. PDC's management believes that our current report continues to meet the Certificate of Achievement Program requirements, and PDC will be submitting it to GFOA to determine its eligibility for another certificate.

In addition, PDC also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2010. In order to qualify for the Distinguished Budget Presentation Award, PDC's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of PDC's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011 would not have been possible without the efficient and dedicated service of the entire staff of the Commission and the Finance & Business Operations Department. A special thanks to Amy Aragon, Steve Baron, Bethany Bilyeu, Faye Brown, Sam Brugato, Yana Eysmont, Michael Gum, Catherine Kaminski, and Michele Whaley for their efforts in producing this CAFR. We also wish to express our gratitude and appreciation to the Board of Commissioners for their unfailing support for maintaining the highest standards of professionalism in the management of the Portland Development Commission's finances.

Respectfully submitted,



Patrick Quinton, Executive Director



Julie V. Cody, Chief Financial Officer

Portland Development Commission

A Component Unit of the City of Portland, Oregon



(from left to right Aneska Colas-Dickson, Steven Straus, Patrick Quinton-Executive Director, Scott Andrews-Chairman, John Mohlis, Charles Wilhoite)

Governing Board

(As of June 30, 2011)

Term Expires

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July 9, 2014

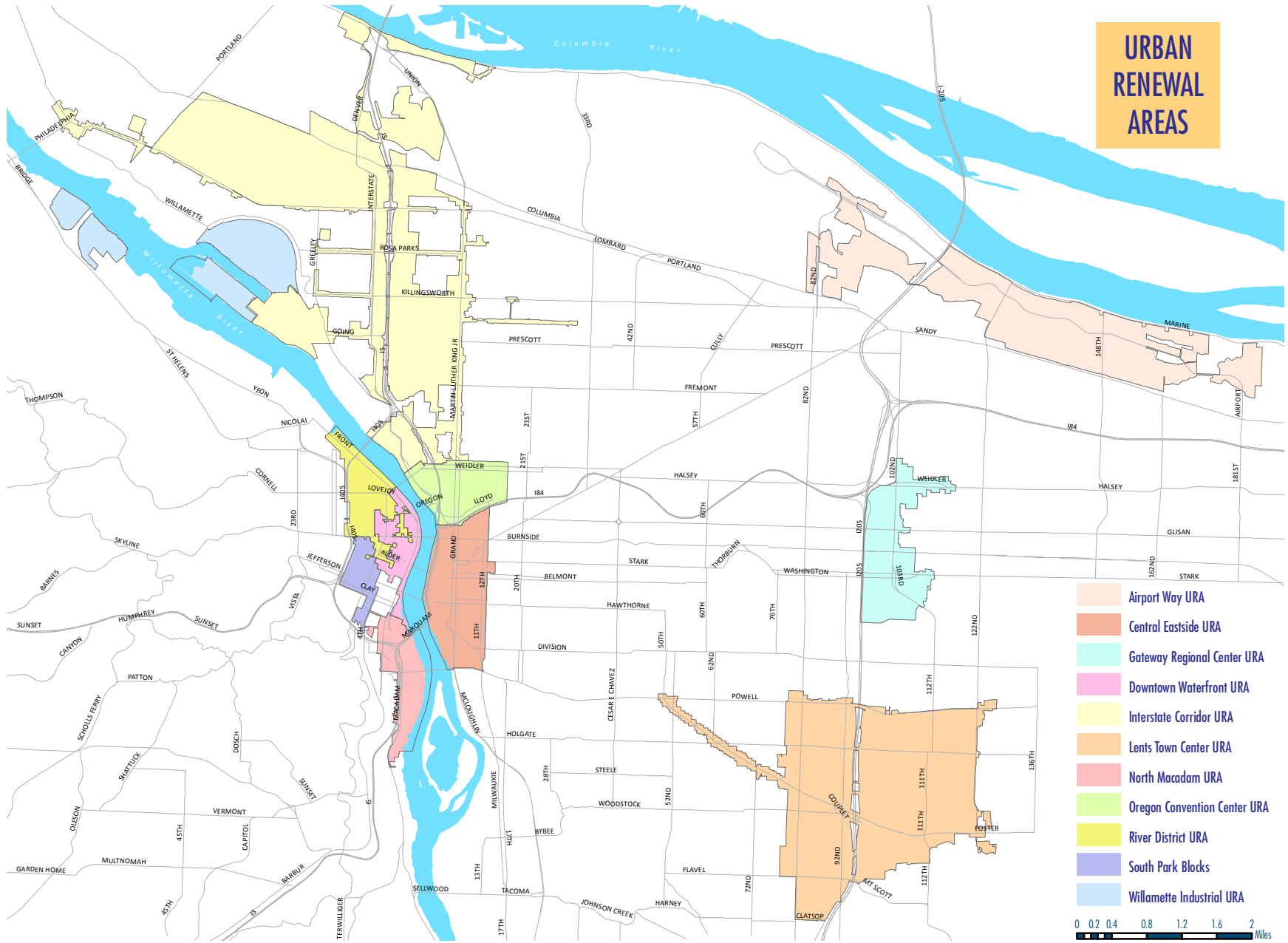
Registered Agent

None

Portland Development Commission

Organizational Chart





**URBAN
RENEWAL
AREAS**

- Airport Way URA
- Central Eastside URA
- Gateway Regional Center URA
- Downtown Waterfront URA
- Interstate Corridor URA
- Lents Town Center URA
- North Macadam URA
- Oregon Convention Center URA
- River District URA
- South Park Blocks
- Willamette Industrial URA





Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to
Portland Development Commission
Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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



President



Executive Director

Financial
Section_____

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REPORT OF INDEPENDENT AUDITORS

Board of Commissioners
Portland Development Commission, Portland Oregon
(A Component Unit of the City of Portland)

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Portland Development Commission (a Component Unit of the City of Portland, Oregon) (the Commission), as of and for the year ended June 30, 2011, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Commission, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof and for the respective budgetary comparison statements for the General Fund, and the Housing and Community Development Contract Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT – (continued)

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2011, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 18, and the post-employment healthcare benefits schedule on page 64, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The introductory section, supplementary data and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary data section has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



James C. Lanzarotta, Partner
for Moss Adams, LLP
Eugene, Oregon
December 9, 2011

Management's Discussion and Analysis

As management of Portland Development Commission (PDC), we offer readers of PDC's financial statements this narrative overview and analysis of the financial activities of PDC for the fiscal year ended June 30, 2011. Management's Discussion and Analysis is intended to explain the significant changes in financial position, as well as differences between the current and prior years. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-vi of this report.

Financial Highlights

- The assets of PDC exceeded the liabilities for the current year ended June 30, 2011 by \$230,285,885 (net assets). Of this amount, \$7,088,615 (unrestricted net assets) may be used to meet PDC's ongoing obligations to citizens and creditors.
- PDC's total net assets decreased by \$61,903,291 (21.2%) when compared to the financial statements at June 30, 2010. The net asset decrease is attributable to an overall decrease in general revenues and transfers of \$13,177,389 or 12.5% and a decrease of \$18,503,427 or 57.8% in program revenues, along with an increase of \$26,017,515 or 18.3% in expenses.
- As of June 30, 2011, PDC's governmental activities reported combined ending net assets of \$226,887,092, a decrease of \$52,519,223 from the prior year. Approximately 1.6% of the net assets, \$3,689,822, is available for spending at PDC's discretion (unrestricted net assets).
- PDC's total long-term liabilities decreased by \$1,078,533 (11.2%) during the fiscal year ended June 30, 2011. The key factor in this decrease is the change in the accrual for Pollution Remediation. This is offset by an increase of \$131,004 recorded for net other post-employment benefit obligation.
- Gross loans receivable decreased from \$374,169,115 to \$100,479,307 commission-wide, or 73.2%. The loan loss allowance decreased from \$285,334,311 to \$46,152,838, an decrease of 83.8% from the prior year's allowance, resulting in net loans receivable of \$54,326,469.

Broader detail on these highlights and other topics will be presented throughout the remainder of this report.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to PDC's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of PDC's finances, in a manner similar to private-sector business statements.

The *Statement of Net Assets* presents information on all of PDC's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of PDC is improving or deteriorating. The *Statement of Activities* presents information showing how PDC's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change 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., depreciation).

Both of the government-wide financial statements distinguish functions of PDC that are principally supported by tax-increment debt proceeds (in lieu of tax-increment revenue) and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, Housing and Community Development Contract administration, urban renewal and redevelopment. The business-type activities include jobs, housing and commercial financial assistance programs together with historic preservation. These activities are mainly manifested as some form of financial assistance.

The government-wide financial statements can be found on pages 19-21 of this report.

Fund Financial Statements. A "fund" is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. PDC, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Commission adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided for all funds to demonstrate compliance with budgetary requirements. All of the funds of PDC can be divided into three categories: governmental funds, proprietary funds, and fiduciary (agency) funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating our near-term financing 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 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*.

PDC maintains 17 individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for each of the major funds. The major governmental funds are: General Fund (adopted as the Urban Redevelopment Fund); Housing and Community Development (HCD) Contract Fund; Downtown Waterfront Urban Renewal Fund; River District Urban Renewal Fund; Convention Center Urban Renewal Fund; Lents Town Center Urban Renewal Fund; and the Interstate Corridor Urban Renewal Fund. Data from the other ten governmental funds are

combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 22-29 of this report.

Proprietary funds. PDC maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. PDC uses two enterprise funds. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among PDC's various functions. PDC uses an internal service fund to account for risk management. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The enterprise fund data are combined into a single, aggregated presentation, and includes such programs as: the Business Development Loan Fund and the Small Business Loan Fund. Additionally, the internal service fund is presented in the proprietary fund financial statements. Individual fund data for the internal service fund is provided elsewhere in this report.

Enterprise Loans Fund. The Enterprise Loans Fund is used to account for revolving loan programs. PDC intends to prevent expenses from exceeding annual income in order to preserve the original principal of each program.

Enterprise Management Fund. The Enterprise Management Fund is used to account for the activity related to the operation and maintenance of PDC properties or City of Portland properties PDC has contracted to manage outside of Urban Renewal Areas.

Internal Service Fund. A Risk Management Fund is used to set aside resources to meet insurance policy deductible amounts and other amounts not fully reimbursed from insurance proceeds, as necessary. In certain risk areas, the deductible amount increased substantially, requiring PDC to formally establish the program. Additional contributions may be made in future years.

The basic proprietary fund financial statements can be found on pages 30-32 of this report.

Fiduciary (agency) funds. Fiduciary funds are used to account for resources held for the benefit of parties outside PDC. Fiduciary (agency) funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support PDC's own programs. The accounting used for fiduciary (agency) funds is much like that used for proprietary funds.

The basic fiduciary (agency) fund financial statement can be found on page 33 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 34-62 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning PDC's progress in funding its obligation to provide post-employment benefits to its employees. Required supplementary information can be found on page 64 of this report.

Supplementary Data. The combining statements referred to earlier in connection with nonmajor governmental funds are presented as supplementary data following the basic financial statements. Combining statements and individual fund budgetary comparison schedules can be found on pages 65-97 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. PDC's total assets exceeded liabilities by \$230,285,885 for all governmental and business-type funds at the close of the most recent fiscal year.

By far the largest portion of PDC's net assets, \$213,594,580 or 92.8%, represents resources that are subject to external restrictions on how they may be used in governmental activities. Restricted net assets are mainly comprised of urban renewal funds which are limited to use in the specific urban renewal area from whence the funds originated in the form of tax-increment debt proceeds in lieu of tax-increment revenues. The percentage of restricted net assets remained fairly constant over the fiscal year, increasing 1.1% from the proportion of restricted net assets from fiscal year ended June 30, 2010.

Portland Development Commission's Net Assets At June 30

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets						
Current and Other Assets	\$ 235,172,075	\$ 311,669,046	\$ 3,409,529	\$ 12,809,937	\$ 238,581,604	\$ 324,478,983
Capital Assets	9,602,690	9,995,090	-	-	9,602,690	9,995,090
Total Assets	<u>244,774,765</u>	<u>321,664,136</u>	<u>3,409,529</u>	<u>12,809,937</u>	<u>248,184,294</u>	<u>334,474,073</u>
Liabilities						
Other Liabilities	9,319,753	32,611,368	10,736	27,076	9,330,489	32,638,444
Long-term Liabilities	8,567,920	9,646,453	-	-	8,567,920	9,646,453
Total Liabilities	<u>17,887,673</u>	<u>42,257,821</u>	<u>10,736</u>	<u>27,076</u>	<u>17,898,409</u>	<u>42,284,897</u>
Net Assets						
Invested in Capital Assets	9,602,690	9,995,090	-	-	9,602,690	9,995,090
Restricted	213,594,580	267,883,500	-	-	213,594,580	267,883,500
Unrestricted	3,689,822	1,527,725	3,398,793	12,782,861	7,088,615	14,310,586
Total Net Asset	<u>\$ 226,887,092</u>	<u>\$ 279,406,315</u>	<u>\$ 3,398,793</u>	<u>\$ 12,782,861</u>	<u>\$ 230,285,885</u>	<u>\$ 292,189,176</u>

A small portion of PDC's total net assets (\$9,602,690 or 4.2%) reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment). These capital assets are used to provide services to citizens; consequently, these assets are *not* available for future spending.

The remaining balance of *unrestricted net assets* (\$7,088,615 or 3.1%) may be used to meet PDC's ongoing obligations to citizens and creditors. A portion of the unrestricted net assets, 48%, are

contained in the business-type activities. Note that unrestricted net assets have decreased 50.5% during fiscal year 2011. The business-type unrestricted net assets decreased by 73.4%, or \$9,384,068, a direct result of the transfer of Housing programs to PHB, while the governmental segment increased \$2,162,097, or 141.5%.

At June 30, 2011, PDC is able to report positive balances in all three categories of net assets, both for the Commission as a whole, as well as for its separate governmental and business-type activities. This is consistent with the reporting for prior fiscal years.

One major component of PDC's assets is loans receivable from its customers. During this last year, PDC's gross portfolio decreased \$273,689,808 or 73.1%, likewise the loan loss allowance also decreased by 83.8% or \$239,181,473 from the prior year. The smaller, current portion of the net portfolio decreased 35.8% while the non-current portion increased by 39.1%, reflecting a continuing trend in higher-risk and longer-term lending, as well as the effects of transferring the Housing portion of the loan portfolio to the Portland Housing Bureau.

**Portland Development Commission
Loans Receivable
At June 30**

	2011	2010	Change	%
				Change
Gross Loans Receivable	\$ 100,479,307	\$ 374,169,115	\$ (273,689,808)	-73.1%
Allowance & Discount	(46,152,838)	(285,334,311)	239,181,473	-83.8%
Total Net	<u>\$ 54,326,469</u>	<u>\$ 88,834,804</u>	<u>\$ (34,508,335)</u>	-38.8%
Current Portion	\$ 3,828,175	\$ 5,960,684	\$ (2,132,509)	-35.8%
Non-Current Portion	50,498,294	82,874,120	(32,375,826)	-39.1%
Total Net	<u>\$ 54,326,469</u>	<u>\$ 88,834,804</u>	<u>\$ (34,508,335)</u>	-38.8%

The net assets for the year ended June 30, 2011 reflect the transfer of Housing related assets and programs as planned with the December 2008 announcement that PDC's Housing Department would be merged with the City's Bureau of Housing and Community Development to form a new bureau, The Portland Housing Bureau (PHB). This transition included all housing related loans and grants with a gross value of \$289,703,646, 17 real properties with a book value of \$20,787,420, three fixed assets with a net value of \$30,544, and the fund balances of 13 complete funds/subfunds and 6 partial funds. The effects of these transfers are visible throughout this report.

PDC's ending net assets decreased by \$61,903,291, or approximately 21.2%, during the current fiscal year. In general, PDC's overall financial position has held relatively steady over the year, despite a \$31,682,309 (23%) decrease in revenues over the prior year, coupled with an increase in expenses by \$26,016,022 (18.3%). The decrease in net assets is attributable primarily to the transfer of assets and programs to the Portland Housing Bureau.

**Portland Development Commission's Changes in Net Assets
For the Fiscal Years Ended June 30**

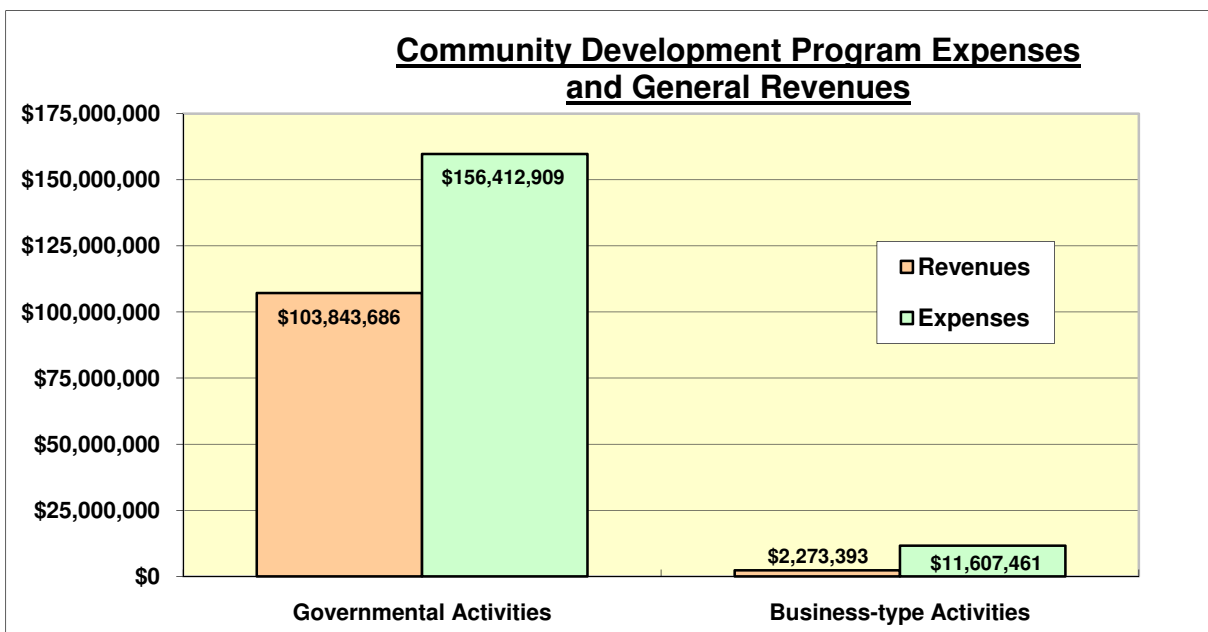
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for Services	\$ 3,984,188	\$ 5,423,765	\$ 2,058,945	\$ 2,301,448	\$ 6,043,133	\$ 7,725,213
Operating Grants and Contributions	7,262,870	17,538,107	200,092	6,747,695	7,462,962	24,285,802
General Revenues:						
Tax-increment Debt Proceeds (in lieu of tax-increment revenue)	85,287,185	89,778,162	-	-	85,287,185	89,778,162
Unrestricted Investment Income	664,618	1,190,507	14,356	49,858	678,974	1,240,365
Miscellaneous	6,644,825	14,769,846	-	-	6,644,825	14,769,846
Total Revenues	<u>103,843,686</u>	<u>128,700,387</u>	<u>2,273,393</u>	<u>9,099,001</u>	<u>106,117,079</u>	<u>137,799,388</u>
Expenses:						
Community Development	156,412,909	130,439,659	-	-	156,412,909	130,439,659
Enterprise Funds	-	-	11,607,461	11,564,689	11,607,461	11,564,689
Total Expenses	<u>156,412,909</u>	<u>130,439,659</u>	<u>11,607,461</u>	<u>11,564,689</u>	<u>168,020,370</u>	<u>142,004,348</u>
Increase (Decrease) in Net Assets Before Special Item and Transfers	(52,569,223)	(1,739,272)	(9,334,068)	(2,465,688)	(61,903,291)	(4,204,960)
Transfers	50,000	1,776,314	(50,000)	(1,776,314)	-	-
Increase (Decrease) in Net Assets	(52,519,223)	37,042	(9,384,068)	(4,242,002)	(61,903,291)	(4,204,960)
Beginning Net Assets	279,406,315	279,369,273	12,782,861	17,024,863	292,189,176	296,394,136
Ending Net Assets	<u>\$ 226,887,092</u>	<u>\$ 279,406,315</u>	<u>\$ 3,398,793</u>	<u>\$ 12,782,861</u>	<u>\$ 230,285,885</u>	<u>\$ 292,189,176</u>

Governmental activities. PDC's ending net assets for governmental activities decreased by \$52,519,223, while overall there was a 21.2% decrease in total net assets on a government-wide basis. This decrease is due primarily to a decrease in governmental revenues of \$24,856,701 or 19.3%, while expenditures increased by 19.9%, or \$25,973,250.

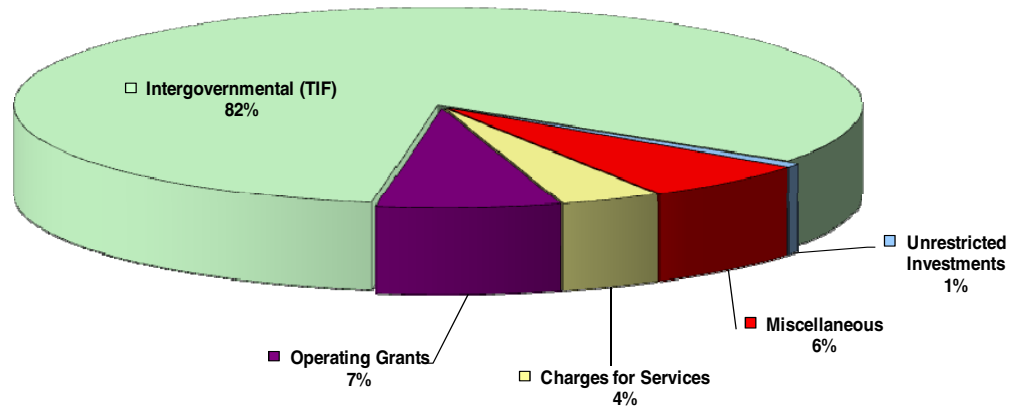
**Portland Development Commission's
Summary of Changes in Net Assets
for the Fiscal Year Ended June 30, 2011
Compared to the Fiscal Year Ended June 30, 2010**

	Governmental Activities	Business-type Activities	Total Change
Revenue Changes			
(Decrease) - Tax-Increment Proceeds (in lieu of tax-increment revenue)	\$ (4,490,977)	\$ -	\$ (4,490,977)
(Decrease) - Charges for Services	(1,439,577)	(242,503)	(1,682,080)
(Decrease) - Operating Grants and Contributions	(10,275,237)	(6,547,603)	(16,822,840)
(Decrease) - Unrestricted Investment Income	(525,889)	(35,502)	(561,391)
(Decrease) - Miscellaneous	(8,125,021)	-	(8,125,021)
Total Revenue Changes	(24,856,701)	(6,825,608)	(31,682,309)
Prior Year Net Asset Increase/(Decrease)	37,042	(4,242,002)	(4,204,960)
(Increase) in Expenses	(25,973,250)	(42,772)	(26,016,022)
Transfers In/(Out) Change	(1,726,314)	1,726,314	-
Change in Net Assets Current Year	\$ (52,519,223)	\$ (9,384,068)	\$ (61,903,291)

A significant decrease in operating grants and contributions as well as a decrease in miscellaneous revenues added to the decrease in tax-increment proceeds (in lieu of tax-increment revenue). These decreases were due to an decrease in Federal Grant programs and the sale of real property. A marked increase in Community Development and Financial Assistance is the primary source of increased expenses and the change in net assets.



Revenues by Source - Governmental Type Activities



Tax-increment funding (TIF) proceeds are typically PDC's largest annual income source, and that was certainly the case for this fiscal year. The following schedule illustrates the TIF proceeds received by PDC from the City of Portland over the last five years. Note that the annual allotment of TIF proceeds received in fiscal year 2011 is a bit lower than the five-year average and any of the last three years and that the five-year average increased, by \$462,620 from \$95,163,008 in fiscal year 2010.

**Summary History of TIF Proceeds
Received by Portland Development Commission
For the Fiscal Years Ended June 30**

Year	Amount	Change	%	
2007	\$ 91,878,763			5-Year Average = \$95,625,628
2008	105,929,455	14,050,692	15%	
2009	105,254,573	-674,882	-1%	
2010	89,778,162	-15,476,411	-15%	
2011	85,287,185	-4,490,977	-5%	
	\$ 478,128,138			

The City of Portland receives property taxes in each of the designated urban renewal areas and forwards a portion to be allocated as TIF to the Portland Development Commission for projects. The amount of TIF allocated to PDC varies annually depending on each of the urban renewal area's projected tax revenues, debt capacity, and existing levels of outstanding debt held by the City. Each urban renewal area has a planned expiration date after which it cannot issue additional tax-increment debt. A typical life-cycle is between ten and twenty years, however, the expiration date may be extended by the Board of Commissioners. An urban renewal area that has reached its maximum indebtedness or expiration date will no longer issue new long-term tax-increment debt, but may continue spending until its resources are exhausted and will receive tax-increment resources until all outstanding debt is retired. The Downtown Waterfront Urban Renewal Area, South Park Blocks Urban Renewal Area, and Airport Way Urban Renewal Area have all reached their plan expiration dates.

Business-type activities. PDC's net assets for business-type activities decreased by \$9,384,068 or 73.4%, for the fiscal year ended June 30, 2011. Among the key elements in this decrease are reduced revenues in Loan Collections from Borrowers and reduced activity due to the transfer of Housing programs to the Portland Housing Bureau.

**Portland Development Commission
Changes In Business-type Activities Expenses
For the Fiscal Years Ended June 30**

<u>Expenses</u>	<u>2011</u>	<u>2010</u>	<u>Change</u>
Personal services	\$ 125,183	\$ 253,105	\$ (127,922)
Professional services	55,680	1,526,821	(1,471,141)
Loan document costs	59,255	24,189	35,066
Financial assistance	7,579,456	6,938,623	640,833
Internal Service Reimbursements	579,270	569,901	9,369
Miscellaneous Expenses	3,208,617	2,228,495	980,122
Interest Expense	-	23,555	(23,555)
Totals	\$ 11,607,461	\$ 11,564,689	\$ 42,772

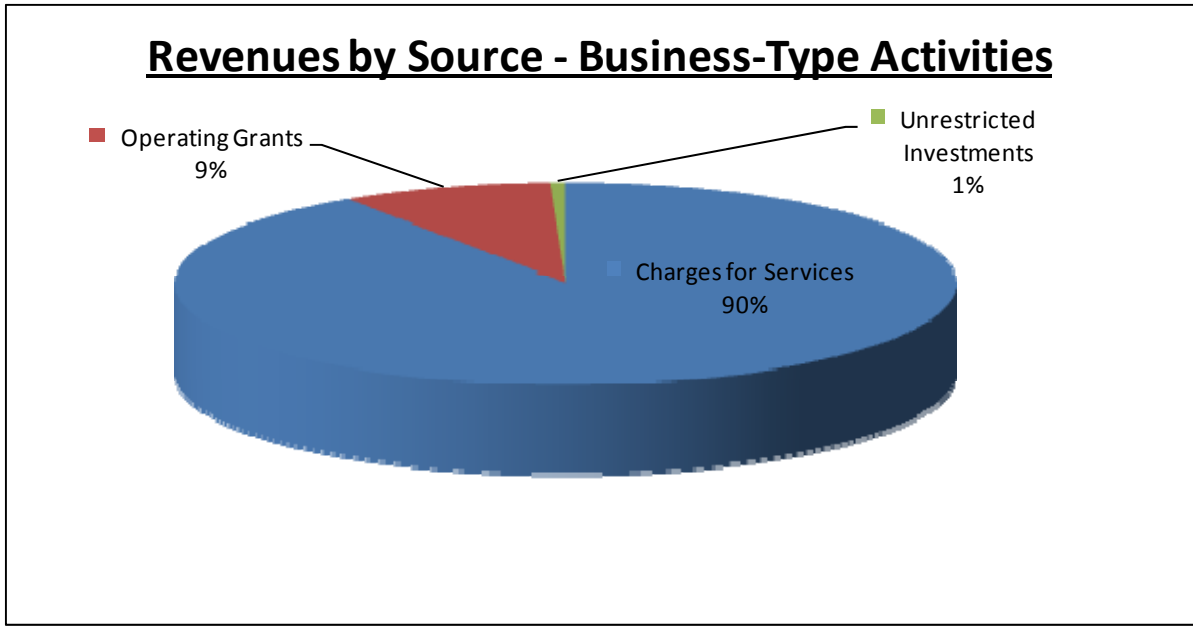
In fiscal year 2011, increased expenses were incurred for: \$640,833 in financial assistance for support of small business, while miscellaneous expenses increased \$980,122 due to the transfer of the housing programs to PHB. These expenses were partially offset by decreases for; \$1,471,141 in professional services, also the result of the housing transfer, a decrease of \$127,922 in internal service reimbursements for personal services.

The summary history below illustrates the fluctuating nature of the loan loss allowance. In 2011, no increase in the allowance expense was recorded for the Enterprise Loans Fund. In addition to the effects of the Housing Loans transfer, there continues to be a shift in the portfolio composition from performing amortizing loans to deferred payment and cash flow dependent loans and grants.

**Portland Development Commission
Loan Loss Allowance History
Enterprise Loans Fund
For the Fiscal Years Ended June 30**

<u>Year</u>	<u>Allowance Expense</u>	<u>Change from Prior year</u>
2006	\$ 75,899	
2007	406,467	\$ 330,568
2008	1,269,841	863,374
2009	71,340	(1,198,501)
2010	1,393,874	1,322,534
2011	-	(1,393,874)

Business-type revenues overall decreased (75.0%) over the prior year, or \$6,825,608. Charges for services experienced a \$242,503, (10.5%) decrease, while Operating grants decreased 97.0% or \$6,547,603, resulting in Charges for Services now being the largest source of revenue in Business-Type Activities. Unrestricted investment income also experienced a decrease this fiscal year of \$35,502 or 71.2%.



Financial Analysis of PDC’s Funds

As noted earlier, PDC uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of PDC’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing PDC’s financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

At June 30, 2011, PDC’s governmental funds reported combined ending fund balances of \$225,604,057, a decrease of \$53,203,921, or 19.1% from the prior year. Of this \$1,010,040, *unassigned fund balance* is available for spending at the Commission’s discretion. Approximately \$3,069,788 or 1.4% constitutes assigned fund balance in the General Fund for subsequent years expenditures. The remainder of fund balance is not available for discretionary spending, these balances are reflected as *non-spendable* and *restricted* because they have already been committed for urban renewal programs, \$216,899,188, or for other restricted purposes, \$4,625,041, in the general fund and other governmental funds.

The General Fund, adopted as the Urban Redevelopment Fund, is the primary operating fund of PDC. During the current fiscal year ended June 30, 2011, the fund balance of the General Fund decreased from \$5,306,280 to \$5,121,864. Key factors in the \$184,416 decrease include:

- Revenues decreased by \$1,906,950 primarily due to a decrease in Intergovernmental Revenues, a result of diminished allocations received from the City General Fund for Economic Development efforts citywide and a decrease in interest earned on investments. This is partially offset by increases in charges for services, interest on investments and miscellaneous revenues.
- Net expenditures decreased \$2,370,518. A decrease of \$1,524,030 in community development for professional service contracts, public communications and marketing, and training, travel, and meeting expenses account for the majority of the change, the result of decreased funding for economic development efforts citywide. Capital Outlay expenditures increased by \$487,800 while Financial Assistance for technical assistance and economic development decreased by \$1,334,288.
- Transfers In reflect planned reimbursements of \$50,000 from the Enterprise Loans Funds to support an ongoing cash flow reserve for Economic Development.

The six other major governmental funds include the Housing and Community Development Contract Fund, Downtown Waterfront Urban Renewal Fund, River District Urban Renewal Fund, Convention Center Urban Renewal Fund, Lents Town Center Urban Renewal Fund, and the Interstate Corridor Urban Renewal Fund. The following table shows the change in their fund balances.

**Portland Development Commission
Schedule of Other Major Governmental Fund Balances
At June 30**

Fund	2011	2010	Change
Housing and Community Development Contract Fund	\$ 282	\$ (4,868)	\$ 5,150
Downtown Waterfront Urban Renewal Fund	28,691,391	39,159,263	(10,467,872)
River District Urban Renewal Fund	44,498,085	57,797,469	(13,299,384)
Convention Center Urban Renewal Fund	28,150,444	33,377,157	(5,226,713)
Lents Town Center Urban Renewal Fund	24,422,821	30,883,879	(6,461,058)
Interstate Corridor Urban Renewal Fund	9,445,698	10,486,337	(1,040,639)
Total Fund Balances	\$ 135,208,721	\$ 171,699,237	\$ (36,490,516)

As expected, the Housing and Community Development Contract Fund did not experience a significant change in its fund balance. The bulk of the programs in this fund were transferred to the Portland Housing Bureau.

In the Downtown Waterfront Urban Renewal Fund, fund balance decreased \$10,467,872 or 26.7% due almost entirely to an increase of \$6,655,414 or 314.6% in Financial Assistance and a decrease in miscellaneous revenues of \$2,747,701 or 47.9%.

In the River District Urban Renewal Area, the \$13,299,384 or 23.0% net decrease in fund balance can be attributed to an increase in tax-increment debt proceeds (in lieu of tax-increment revenue) of 70.1% or \$15,144,438. Financial Assistance experienced a decrease of \$4,540,346 or 29.6% as projects such as the Resource Access Center reached their completion. Capital Outlay also saw a significant increase of \$10,180,640 for the Portland Streetcar Loop and Community Development increased by \$15,565,760 or 270.9% which includes housing expenditures disbursed through Portland Housing Bureau.

In fiscal year 2011, the Convention Center Urban Renewal Fund experienced a 15.7% decrease in fund balance, or \$5,226,713. Most significant was an decrease of \$3,613,329 in tax-increment debt proceeds (in lieu of tax-increment revenue) coupled. An overall increase in expenditures of \$1,750,271 or 20.7% was attributable to an increase in Community Development of \$1,765,751 or 44.7%.

The Lents Town Center Urban Renewal Fund experienced a decrease in fund balance at 20.9% or \$6,461,058. Tax-increment debt proceeds (in lieu of tax-increment revenue) reflects a decrease of \$18,610,288 due to Lents URA Bond Sale sold in June. Meanwhile expenditures increased by 54.0% or \$4,728,518, primarily in Community Development \$1,881,188 or 46.1% and Capital Outlay \$3,222,496 or 1,025.5%.

The Interstate Corridor Urban Renewal Fund ended 2011 with an decrease in fund balance of \$1,040,639 or 9.9%. Revenues experienced an overall increase of \$4,454,872 (31.7%) attributable to a similar increase in tax-increment debt proceeds (in lieu of tax-increment revenue) of \$4,491,181 or 32.4%. Expenditures increased by \$7,511,266 or 62.3%. Increases were experienced in the areas with Financial Assistance at 101.8% or \$4,081,360 showing the greatest increase. Community Development increased by \$2,130,355 or 42.8% and Capital Outlay increased by \$1,299,551 or 42.3%.

**Portland Development Commission
Tax-Increment Funds (Debt Proceeds) Allocation
For the Years Ended June 30**

Capital Projects Urban Renewal Funds	2011	2010	Change
Downtown Waterfront	\$ -	\$ 440,000	\$ (440,000)
River District	36,746,733	21,602,295	15,144,438
Convention Center	4,497,749	8,111,079	(3,613,330)
Lents Town Center	6,446,775	25,057,063	(18,610,288)
Interstate Corridor	18,353,098	13,861,917	4,491,181
Other Governmental Funds	19,242,830	20,387,058	(1,144,228)
Total TIF Allocation	\$ 85,287,185	\$ 89,459,412	\$ (4,172,227)

Proprietary funds. PDC's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. PDC's Enterprise Loans Fund encompasses numerous loan programs. Net assets for the Enterprise Loans Fund decreased by \$9,333,163 during the fiscal year ended June 30, 2011. Factors concerning the decrease in net assets of the Enterprise Loans Fund have already been addressed in the discussion of PDC's business-type activities. The Enterprise Management Fund accounts for activity related to non-URA property operation and maintenance and reflects a decrease in Net Assets of \$50,905 or 40.3%. At present this fund is comprised primarily of revenues: charges for services of \$932,367 and \$2,399 of investment interest. Expenditures stem from the transfer of revenue to PHB as this is a housing project and the payment of insurance on the property.

General Fund Budgetary Highlights

Differences between the original budget and final amended budget amounted to a \$4,260,589 increase in appropriations. The major differences are summarized as follows:

- Budgeted revenue increased a net \$861,535 primarily due to an increase in intergovernmental revenues from the City of Portland, General Fund for city-wide economic development initiatives.
- Budgeted expenditures in the General Fund reflected an increase of \$1,347,382 in the funding of Business and Industry to correct resources budgeted in the Enterprise Loans Fund that should have been General Fund and an increase in contingency funds.
- Increases in Administrative expenditures budgeted of \$859,000 represent staff costs for operations associated with the reduction in force and higher administrative spending in the Urban Development Department.

Differences between the final amended budget and actual revenues and expenditures amounted to a \$266,934 increase over projected revenues and a \$3,849,744 decrease from anticipated expenditures. The major differences are summarized as follows:

- Actual Revenues increased \$266,934 primarily due to non-budgeted miscellaneous revenues.
- Administrative expenditures were lower than budgeted by \$2,793,561 over the final budget due to under spending in the FSC implementation and other IT projects.
- Budgeted contingency funds represent resources expected to be carried over to the following fiscal year beginning balance.

Capital Assets, Property Held for Sale, and Long-Term Debt

PDC records all of its capital outlay expenditures as either capital assets to be used in the course of business or project-related property held for sale.

Capital assets. As of June 30, 2011 capital assets amount to \$9,602,690 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles, equipment, and software. The total decrease in PDC's investment in capital assets for the fiscal year ended June 30, 2011 was \$392,400, or 3.9%.

Portland Development Commission - Capital Assets (net of accumulated depreciation) At June 30

Asset Type	Governmental Activities		
	2011	2010	Change
Land	\$ 6,101,427	\$ 6,284,260	\$ (182,833)
Buildings	1,462,022	1,516,172	(54,150)
Work In Progress	854,362	-	854,362
Leasehold Improvements	177	704,936	(704,759)
Vehicles, Equipment & Software	254,308	462,537	(208,229)
Intangible Software	930,394	1,027,185	(96,791)
Total Assets	\$ 9,602,690	\$ 9,995,090	\$ (392,400)

There were no major capital asset transactions during the year. Land values decreased due to a site that was transferred to the Portland Housing Bureau. Other types of capitalized assets decreased slightly in value during the fiscal year with the exception of vehicles and equipment and intangible software for the purchase of new equipment and financial software. Additional information on PDC's capital assets can be found in note III - F. on page 50 of this report, and in the Supplementary Data on pages 98-103.

Property Held for Sale. Expenditures for acquisition and improvements of real properties intended for sale to appropriate developers are referred to as property held for sale. This recording approach is also used for real property slated to be transferred to the City of Portland. Following are the changes in property held for sale for the fiscal year ended June 30, 2011.

**Portland Development Commission
Real Property Held for Sale
For the Fiscal Year Ended June 30, 2011**

Funding Source	Balance July 1, 2010	Additions	Disposal/ Adjustments	Balance June 30, 2011
General Fund	\$ 146,754	\$ -	\$ -	\$ 146,754
Housing and Community Development Contract Fund	251,456	-	-	251,456
Downtown Waterfront Urban Renewal Fund	10,126,322	1,932,657	(4,228,443)	7,830,536
River District Urban Renewal Fund	25,573,603	24,829	(8,387,832)	17,210,600
Convention Center Urban Renewal Fund	21,309,265	136,242	(3,372,533)	18,072,974
Lents Town Center Urban Renewal Fund	10,234,107	1,981,790	(2,510,877)	9,705,020
Interstate Corridor Urban Renewal Fund	3,579,717	3,740,354	(3,015,607)	4,304,464
Other Governmental Funds	51,688,467	725,582	(13,322,363)	39,091,686
Total Property Held for Sale	\$ 122,909,691	\$ 8,541,454	\$ (34,837,655)	\$ 96,613,490

In the Downtown Waterfront Urban Renewal Area retail space and 22 parking spaces which have a combined booked value of \$1,836,066 were acquired. In addition, 88 NW Couch St. was sold and Block 8 was written-down to a current market value of \$2.5 million based on recent brokers of opinion value.

In the River District Urban Renewal Area, Centennial Mill property was written-down to market value based on a recent appraisal of \$2,650,000. Four Housing properties at a combined value of \$3,348,018 were transferred to the Portland Housing Bureau.

In the Convention Center Urban Renewal Area, several properties with a recorded value of \$3,372,533 were transferred to the Portland Housing Bureau.

Lents Town Center Urban Renewal Area acquired three properties to facilitate the implementation of the Lents URA revitalization plan. They are Lents Town Center II, 71st and Foster Rd., and 91st SE Reedway St., with a combined acquisition cost of \$1,846,046. In addition, several single-family properties valued at \$2,054,796 were transferred to the Portland Housing Bureau.

In the Interstate Urban renewal Area, four properties were acquired on Argyle and Denver Streets for a total cost of \$3,661,798. In addition, Killingsworth Station was disposed of for \$1,250,377 and several single-family properties valued at \$1,765,230 were transferred to the Portland Housing Bureau.

Significant real property transactions in the Other Government Funds included:

- In the North Macadam Urban Renewal Fund, Block 49 valued at \$5,232,633 was transferred to the Portland Housing Bureau.
- South Park Blocks Urban Renewal Area transferred \$2,918,743 in Housing properties to the Portland Housing Bureau.
- In the Gateway Urban Renewal Fund, real property at 9929 NE Glisan St., 9999 NE Glisan St, and 618 NE 99th Ave. with a combined value of \$1,912,639 was transferred to the Portland Housing Bureau.
- In the Airport Way Urban Renewal Fund, a portion of Cascade Station Lease rights was sold for \$3,019,857 for development. \$143,182 was recorded as amortization of the remaining lease rights at Cascade Station.

Additional information on PDC's real property held for sale can be found in note III - E. on page 50 of this report, and in the Supplementary Data on pages 102-103.

Long-term debt. PDC does not maintain a debt service fund. Due to the nature of the services that PDC provides to the community, all debt activity is fully represented in the Governmental and Enterprise Loans Fund.

PDC does not issue bonds, but receives proceeds from bonds issued and carried by the City of Portland. Additionally, the City of Portland maintains lines-of-credit to provide short-term funding for PDC projects. The City's lines-of-credit are ultimately repaid with the long-term financing provided by bond sales. See the statistical section on bonds in this report and the City of Portland's financial statements for further information.

Economic Factors and Next Year's Budgets and Rates

- The Portland metropolitan area unemployment rate for June and July 2011 was 9.0%, and August 2011 was 9.1%. This is down slightly from the rate of 10.5% a year ago in June. The unemployment rate for the United States as a whole for June 2011 remains 9.2%. Job growth is running behind that of the State of Oregon due to job losses in the government sector. Job expansion is predicted to pick up but are presently being affected by a very slow recovery in the Housing market and pullback in the public sector, it may be as late as 2014 before we see employment levels return. Portland's total non-farm wage and salary employment is up to 981,000, 0.9% higher than last fiscal year.
- The Portland area office market increased vacancy slightly to 12.8% during the second quarter with 10,377 sf of negative absorption. Net absorption is down 95.7% from a year ago. At present 398,425 square feet of new construction is underway.
- The industrial market saw vacancies increase slightly to 16.1% during this past quarter in the Portland area with a steady increase over a year ago at 15.2%. The Port of Portland posted its third best year ever handling 13.1 million tons of cargo.
- Inflation rate trends for the Portland metropolitan area compare slightly more favorably to National indices. Rates projected through June 2011 are 3.0% and 2.6%, respectively. Rising gas prices as well as lingering uncertainty in the job market have had a significant impact on consumer spending and confidence during the fourth quarter of this fiscal year.

- All of the above economic indicators are occurring in the context of similar economic improvements for the State of Oregon.

All of these factors were considered in preparing PDC's budget for the next fiscal year ending June 30, 2012.

Requests for Information

This financial report is designed to provide a general financial overview for those with an interest in PDC's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Chief Financial Officer, Portland Development Commission, 222 NW Fifth Avenue, Portland, Oregon, 97209.

PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

STATEMENT OF NET ASSETS
June 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 15,500	\$ -	\$ 15,500
Cash with City of Portland investment pool	82,861,155	499,728	83,360,883
Cash with fiscal agent	122,981	-	122,981
Receivables:			
Due from City of Portland	3,215,383	-	3,215,383
Due from other entities	12,469	-	12,469
Internal balances	(725,720)	725,720	-
Loans, net	3,167,802	660,373	3,828,175
Interest	383,856	5,287	389,143
Other	10,000	-	10,000
Prepays	315,286	-	315,286
Property held for sale	96,613,490	-	96,613,490
Total current assets	185,992,202	1,891,108	187,883,310
Noncurrent assets:			
Restricted cash-			
City of Portland investment pool	-	200,000	200,000
Loans receivable, net	49,179,873	1,318,421	50,498,294
Capital assets not being depreciated:			
Land	6,101,427	-	6,101,427
Work in progress	854,362	-	854,362
Capital assets net of accumulated depreciation:			
Buildings and improvements	1,462,022	-	1,462,022
Leasehold improvements	177	-	177
Furniture, vehicles and equipment	254,308	-	254,308
Intangible software	930,394	-	930,394
Total noncurrent assets	58,782,563	1,518,421	60,300,984
Total assets	\$ 244,774,765	\$ 3,409,529	\$ 248,184,294
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 2,069,174	\$ 3,642	\$ 2,072,816
Accrued liabilities	1,859,497	7,094	1,866,591
Due to City of Portland	5,284,735	-	5,284,735
Due to other entities	106,347	-	106,347
Total current liabilities	9,319,753	10,736	9,330,489
Noncurrent liabilities:			
Net other post-employment benefits obligation	638,271	-	638,271
Pollution remediation	7,929,649	-	7,929,649
Total noncurrent liabilities	8,567,920	-	8,567,920
Total liabilities	17,887,673	10,736	17,898,409
NET ASSETS			
Invested in capital assets	9,602,690	-	9,602,690
Restricted for:			
Urban renewal	208,969,539	-	208,969,539
Other	4,625,041	-	4,625,041
Unrestricted	3,689,822	3,398,793	7,088,615
Total net assets	226,887,092	3,398,793	230,285,885
Total liabilities and net assets	\$ 244,774,765	\$ 3,409,529	\$ 248,184,294

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

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants
Governmental activities:			
Community development	\$ 156,412,909	\$ 3,984,188	\$ 7,262,870
Business-type activities:			
Enterprise loans	10,621,790	1,126,578	200,092
Enterprise management	985,671	932,367	-
Total	<u>\$ 168,020,370</u>	<u>\$ 6,043,133</u>	<u>\$ 7,462,962</u>

General Revenues:

Tax-increment debt proceeds (in lieu
of tax-increment revenue) -
intergovernmental revenues, unrestricted
Unrestricted investment income
Miscellaneous revenues

Transfers

Total general revenues and transfers

Change in net assets

Net assets - June 30, 2010

Net assets - June 30, 2011

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

Net Expense and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
\$ (145,165,851)	\$ -	\$ (145,165,851)
-	(9,295,120)	(9,295,120)
-	(53,304)	(53,304)
<u>(145,165,851)</u>	<u>(9,348,424)</u>	<u>(154,514,275)</u>
85,287,185	-	85,287,185
664,618	14,356	678,974
6,644,825	-	6,644,825
50,000	(50,000)	-
<u>92,646,628</u>	<u>(35,644)</u>	<u>92,610,984</u>
(52,519,223)	(9,384,068)	(61,903,291)
<u>279,406,315</u>	<u>12,782,861</u>	<u>292,189,176</u>
<u>\$ 226,887,092</u>	<u>\$ 3,398,793</u>	<u>\$ 230,285,885</u>

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011**

	General Fund	Special Revenue Funds		
		Housing and Community Development Contract Fund	Downtown Waterfront Urban Renewal Fund	River District Urban Renewal Fund
ASSETS				
Cash and cash equivalents	\$ 15,500	\$ -	\$ -	\$ -
Cash with City of Portland investment pool	5,755,329	310,565	12,015,707	12,048,064
Cash with fiscal agent	-	-	-	-
Receivables:				
Due from City of Portland	1,539,114	825,531	749,880	-
Accounts	8,484	-	-	-
Internal balances	135,000	-	-	-
Loans, net	656,831	-	8,092,496	17,344,000
Interest	33,405	2	58,018	43,127
Prepays	315,286	-	-	-
Property held for sale	146,754	251,456	7,830,536	17,210,600
Other	-	-	-	-
Total assets	\$ 8,605,703	\$ 1,387,554	\$ 28,746,637	\$ 46,645,791
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,361,980	\$ 300,816	\$ 5,832	\$ 38,814
Accrued liabilities	1,859,496	-	-	-
Due to City of Portland	180,920	251,456	41,841	2,108,892
Due to other entities	81,443	-	7,573	-
Internal balances	-	835,000	-	-
Total liabilities	3,483,839	1,387,272	55,246	2,147,706
Fund balances:				
Non-spendable				
Prepaid expenditures	315,286	-	-	-
Loans receivable	579,996	-	-	-
Property held for sale	146,754	-	-	-
Restricted				
Loans receivable	-	-	8,092,496	17,344,000
Property held for sale	-	-	7,830,536	17,210,600
Accounts receivable-others	-	282	-	-
Urban renewal	-	-	12,768,359	9,943,485
Contractual obligations	-	-	-	-
Assigned				
Subsequent year's expenditures	3,069,788	-	-	-
Unassigned				
Ending fund balance	1,010,040	-	-	-
Total fund balances	5,121,864	282	28,691,391	44,498,085
Total liabilities and fund balances	\$ 8,605,703	\$ 1,387,554	\$ 28,746,637	\$ 46,645,791

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

Capital Projects Funds

Convention Center Urban Renewal Fund	Lents Town Center Urban Renewal Fund	Interstate Corridor Urban Renewal Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 15,500
2,023,525	13,960,486	701,514	35,798,722	82,613,912
-	-	-	122,981	122,981
-	-	-	100,858	3,215,383
3,985	-	-	-	12,469
-	-	-	-	135,000
8,380,240	1,928,715	5,124,329	10,821,064	52,347,675
12,389	64,634	22,921	148,338	382,834
-	-	-	-	315,286
18,072,974	9,705,020	4,304,464	39,091,686	96,613,490
-	-	10,000	-	10,000
<u>\$ 28,493,113</u>	<u>\$ 25,658,855</u>	<u>\$ 10,163,228</u>	<u>\$ 86,083,649</u>	<u>\$ 235,784,530</u>
\$ 161,570	\$ 42,637	\$ 13,775	\$ 143,750	\$ 2,069,174
-	1	-	-	1,859,497
181,099	1,193,396	703,755	623,376	5,284,735
-	-	-	17,331	106,347
-	-	-	25,720	860,720
<u>342,669</u>	<u>1,236,034</u>	<u>717,530</u>	<u>810,177</u>	<u>10,180,473</u>
-	-	-	-	315,286
-	-	-	-	579,996
-	-	-	-	146,754
8,380,240	1,928,715	5,124,329	10,821,064	51,690,844
18,072,974	9,705,020	4,304,464	39,091,686	96,215,280
-	-	-	-	282
1,697,230	12,789,086	16,905	33,521,839	70,736,904
-	-	-	1,838,883	1,838,883
-	-	-	-	3,069,788
-	-	-	-	1,010,040
<u>28,150,444</u>	<u>24,422,821</u>	<u>9,445,698</u>	<u>85,273,472</u>	<u>225,604,057</u>
<u>\$ 28,493,113</u>	<u>\$ 25,658,855</u>	<u>\$ 10,163,228</u>	<u>\$ 86,083,649</u>	<u>\$ 235,784,530</u>

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**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2011**

Fund balances - total governmental funds	\$	225,604,057
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		9,602,690
Net other post-employment benefit obligation reported on the Balance Sheet		(638,271)
Pollution remediation liability		(7,929,649)
The internal service fund is used by management to charge insurance costs to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the Statement of Net Assets		248,265
Net assets of governmental activities	\$	226,887,092

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

PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Fiscal Year Ended June 30, 2011

	Special Revenue Fund			
	General Fund	Housing and Community Development Contract Fund	Downtown Waterfront Urban Renewal Fund	River District Urban Renewal District
REVENUES				
Intergovernmental revenues	\$ 3,839,959	\$ 3,302,911	\$ -	\$ -
Charges for services	163,198	-	176,958	497,643
Loan collections	27,962	-	131,191	81,824
Interest on investments	48,663	126	101,884	79,285
Miscellaneous	1,061,617	-	2,993,848	73,563
Tax-increment debt proceeds (in lieu of tax-increment revenue)	-	-	-	36,746,733
Total revenues	<u>5,141,399</u>	<u>3,303,037</u>	<u>3,403,881</u>	<u>37,479,048</u>
EXPENDITURES				
Current-				
Community development	3,807,042	3,297,887	1,850,418	21,311,457
Capital outlay	1,296,611	-	3,250,799	18,660,440
Financial assistance	272,162	-	8,770,536	10,806,535
Debt service-				
Interest	-	-	-	-
Total expenditures	<u>5,375,815</u>	<u>3,297,887</u>	<u>13,871,753</u>	<u>50,778,432</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(234,416)</u>	<u>5,150</u>	<u>(10,467,872)</u>	<u>(13,299,384)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(184,416)	5,150	(10,467,872)	(13,299,384)
FUND BALANCES (deficit) - July 1, 2010	<u>5,306,280</u>	<u>(4,868)</u>	<u>39,159,263</u>	<u>57,797,469</u>
FUND BALANCES - June 30, 2011	<u>\$ 5,121,864</u>	<u>\$ 282</u>	<u>\$ 28,691,391</u>	<u>\$ 44,498,085</u>

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

Capital Projects Funds

	Convention Center Urban Renewal Fund	Lents Town Center Urban Renewal Fund	Interstate Corridor Urban Renewal Fund	Other Governmental Funds	Total Governmental Funds
\$	-	\$ -	\$ -	\$ 120,000	\$ 7,262,870
	71,046	90,416	14,794	750,041	1,764,096
	303,752	68,198	120,921	276,707	1,010,555
	19,311	104,449	27,467	281,760	662,945
	85,379	316,308	3,214	2,110,896	6,644,825
	<u>4,497,749</u>	<u>6,446,775</u>	<u>18,353,098</u>	<u>19,242,830</u>	<u>85,287,185</u>
	<u>4,977,237</u>	<u>7,026,146</u>	<u>18,519,494</u>	<u>22,782,234</u>	<u>102,632,476</u>
	5,713,978	5,957,982	7,103,965	14,856,568	63,899,297
	3,410,333	3,536,727	4,367,007	10,790,080	45,311,997
	1,079,639	3,992,495	8,089,161	12,937,112	45,947,640
	-	-	-	727,463	727,463
	<u>10,203,950</u>	<u>13,487,204</u>	<u>19,560,133</u>	<u>39,311,223</u>	<u>155,886,397</u>
	<u>(5,226,713)</u>	<u>(6,461,058)</u>	<u>(1,040,639)</u>	<u>(16,528,989)</u>	<u>(53,253,921)</u>
	-	-	-	-	50,000
	-	-	-	-	50,000
	<u>(5,226,713)</u>	<u>(6,461,058)</u>	<u>(1,040,639)</u>	<u>(16,528,989)</u>	<u>(53,203,921)</u>
	<u>33,377,157</u>	<u>30,883,879</u>	<u>10,486,337</u>	<u>101,802,461</u>	<u>278,807,978</u>
\$	<u><u>28,150,444</u></u>	<u><u>24,422,821</u></u>	<u><u>9,445,698</u></u>	<u><u>85,273,472</u></u>	<u><u>225,604,057</u></u>

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011**

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds	\$	(53,203,921)
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Governmental funds report capital asset acquisitions 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 assets acquisitions.

Expenditures for capital assets	\$	888,557	
Less current year depreciation		(1,067,663)	
Loss on sale/disposal of assets net of depreciation		<u>(213,294)</u>	(392,400)

Current year expense for net other post-employment benefits obligation payable in the Statement of Net Assets		(131,004)
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Current year expense for pollution remediation		1,209,537
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The internal service fund is used by management to charge insurance costs to individual funds. The change in net assets is reported with governmental activities.

Expenditures for internal services	\$	(3,108)	
Interest on investment		<u>1,673</u>	<u>(1,435)</u>

Change in net assets of governmental activities	\$	<u><u>(52,519,223)</u></u>
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The accompanying notes are an integral part of the basic financial statements.

PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

GENERAL FUND (adopted as Urban Redevelopment Fund)
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenues-				
City of Portland, General Fund	\$ 3,275,126	\$ 3,875,126	\$ 3,839,959	\$ (35,167)
Charges for services-				
Application fees and charges	-	-	3,373	3,373
Rental income	-	-	37,639	37,639
Loan Collections-				
Principal	-	100,000	76,835	(23,165)
Interest	-	20,000	27,962	7,962
Interest on investments	-	20,000	48,663	28,663
Miscellaneous:				
Reimbursements	497,892	576,927	286,678	(290,249)
Private grants and donations	167,500	210,000	82,500	(127,500)
Other	-	-	665,378	665,378
	3,940,518	4,802,053	5,068,987	266,934
Total revenues				
EXPENDITURES				
Current:				
Community development:				
Business and industry	3,374,833	4,722,215	3,867,120	855,095
Revitalization	200,000	213,500	12,412	201,088
Administration	21,516,149	22,375,149	19,581,588	2,793,561
Total community development	25,090,982	27,310,864	23,461,120	3,849,744
Contingency	151,408	2,192,115	-	2,192,115
	25,242,390	29,502,979	23,461,120	6,041,859
Total expenditures				
Excess (deficiency) of revenues over expenditures	(21,301,872)	(24,700,926)	(18,392,133)	6,308,793
OTHER FINANCING SOURCES (USES)				
Internal service reimbursements	20,401,729	20,401,729	18,537,091	(1,864,638)
Transfers in-				
General Fund	-	2,249,815	-	(2,249,815)
Enterprise Loans Fund	-	50,000	50,000	-
	-	2,299,815	50,000	(2,249,815)
Total transfers in				
Internal service reimbursements	(509,601)	(509,601)	(509,601)	-
Transfers out:				
General Fund	-	(2,249,815)	-	2,249,815
Housing and Community Development Fund	-	-	(135,000)	(135,000)
	-	(2,249,815)	(135,000)	2,114,815
Total transfers out				
Total other financing sources (uses)	19,892,128	19,942,128	17,942,490	(1,999,638)
Net change in fund balance	(1,409,744)	(4,758,798)	(449,643)	4,309,155
FUND BALANCE - July 1, 2010	1,409,744	4,758,798	4,632,922	(125,876)
FUND BALANCE - June 30, 2011	\$ -	\$ -	4,183,279	4,183,279
Adjustments to generally accepted accounting principles basis-				
Loans receivable, net			656,831	
Interfund advances			135,000	
Property held for sale			146,754	
FUND BALANCE - June 30, 2011 (GAAP BASIS)			\$ 5,121,864	

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

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**HOUSING AND COMMUNITY DEVELOPMENT CONTRACT FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenue:				
Housing and Community Development contract	\$ 3,795,310	\$ 3,725,371	\$ 3,302,911	\$ (422,460)
Interest on investments	-	-	126	126
Total revenues	<u>3,795,310</u>	<u>3,725,371</u>	<u>3,303,037</u>	<u>(422,334)</u>
EXPENDITURES				
Current:				
Community development:				
Housing	-	2,633	2,499	134
Business & industry	3,661,791	3,584,350	3,161,869	422,481
Total Community development	<u>3,661,791</u>	<u>3,586,983</u>	<u>3,164,368</u>	<u>422,615</u>
Total expenditures	<u>3,661,791</u>	<u>3,586,983</u>	<u>3,164,368</u>	<u>422,615</u>
Excess (deficiency) of revenues over expenditures	<u>133,519</u>	<u>138,388</u>	<u>138,669</u>	<u>281</u>
OTHER FINANCING SOURCES (USES)				
Transfers in:				
General Fund	-	-	135,000	135,000
Enterprise Loans Fund	-	-	700,000	700,000
Total transfers in	<u>-</u>	<u>-</u>	<u>835,000</u>	<u>835,000</u>
Internal service reimbursements	(133,519)	(133,519)	(133,519)	-
Transfers out-				
Enterprise Loans Fund	-	(1,221,000)	(1,221,000)	-
Total transfers out	<u>-</u>	<u>(1,221,000)</u>	<u>(1,221,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(133,519)</u>	<u>(1,354,519)</u>	<u>(519,519)</u>	<u>835,000</u>
Net change in fund balance	-	(1,216,131)	(380,850)	835,281
FUND BALANCE - July 1, 2010	<u>-</u>	<u>1,216,131</u>	<u>1,216,132</u>	<u>1</u>
FUND BALANCE - June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>835,282</u>	<u>\$ 835,282</u>
Adjustments to generally accepted accounting principles basis:				
Interfund advances			(835,000)	
FUND BALANCE - June 30, 2011 (GAAP BASIS)			<u>\$ 282</u>	

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

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2011**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Fund</u>
	<u>Enterprise Loans Fund</u>	<u>Enterprise Management Fund</u>	<u>Totals</u>	
ASSETS				
Current assets:				
Cash with City of Portland investment pool	\$ 425,976	\$ 73,752	\$ 499,728	\$ 247,243
Receivables:				
Internal balances	725,720	-	725,720	-
Loans, net	660,373	-	660,373	-
Interest	3,767	1,520	5,287	1,022
Total current assets	<u>1,815,836</u>	<u>75,272</u>	<u>1,891,108</u>	<u>248,265</u>
Noncurrent assets:				
Restricted cash- City of Portland investment pool	200,000	-	200,000	-
Loans receivable, net	1,318,421	-	1,318,421	-
Total noncurrent assets	<u>1,518,421</u>	<u>-</u>	<u>1,518,421</u>	<u>-</u>
Total assets	<u>\$ 3,334,257</u>	<u>\$ 75,272</u>	<u>\$ 3,409,529</u>	<u>\$ 248,265</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Current liabilities:				
Accounts payable	\$ 3,642	\$ -	\$ 3,642	\$ -
Accrued liability	7,094	-	7,094	-
Total current liabilities	<u>10,736</u>	<u>-</u>	<u>10,736</u>	<u>-</u>
Total liabilities	<u>10,736</u>	<u>-</u>	<u>10,736</u>	<u>-</u>
NET ASSETS				
Unrestricted	<u>3,323,521</u>	<u>75,272</u>	<u>3,398,793</u>	<u>248,265</u>
Total net assets	<u>3,323,521</u>	<u>75,272</u>	<u>3,398,793</u>	<u>248,265</u>
Total liabilities and net assets	<u>\$ 3,334,257</u>	<u>\$ 75,272</u>	<u>\$ 3,409,529</u>	<u>\$ 248,265</u>

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

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2011**

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Enterprise Loans Fund	Enterprise Management Fund	Totals	
OPERATING REVENUES:				
Charges for services	\$ 27,930	\$ 932,367	\$ 960,297	\$ -
Interest on loans	131,022	-	131,022	-
Miscellaneous revenues	967,718	-	967,718	-
Intergovernmental revenues	200,000	-	200,000	-
Total operating revenues	<u>1,326,670</u>	<u>932,367</u>	<u>2,259,037</u>	<u>-</u>
OPERATING EXPENSES:				
Personal services	125,216	-	125,216	-
Professional services	76,595	35,243	111,838	3,108
Loan document costs	27,654	-	27,654	-
Financial assistance	7,554,866	-	7,554,866	-
Miscellaneous expenses	2,837,459	950,428	3,787,887	-
Total operating expenses	<u>10,621,790</u>	<u>985,671</u>	<u>11,607,461</u>	<u>3,108</u>
Operating income (loss)	<u>(9,295,120)</u>	<u>(53,304)</u>	<u>(9,348,424)</u>	<u>(3,108)</u>
NON-OPERATING REVENUES (EXPENSE):				
Interest on investments	11,957	2,399	14,356	1,673
Total non-operating revenues (expense)	<u>11,957</u>	<u>2,399</u>	<u>14,356</u>	<u>1,673</u>
Income before (loss) transfers	<u>(9,283,163)</u>	<u>(50,905)</u>	<u>(9,334,068)</u>	<u>(1,435)</u>
Transfers out	<u>(50,000)</u>	<u>-</u>	<u>(50,000)</u>	<u>-</u>
Change in net assets	<u>(9,333,163)</u>	<u>(50,905)</u>	<u>(9,384,068)</u>	<u>(1,435)</u>
NET ASSETS - July 1, 2010	<u>12,656,684</u>	<u>126,177</u>	<u>12,782,861</u>	<u>249,700</u>
NET ASSETS - June 30, 2011	<u>\$ 3,323,521</u>	<u>\$ 75,272</u>	<u>\$ 3,398,793</u>	<u>\$ 248,265</u>

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

PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Fiscal Year Ended June 30, 2011

	<u>Business-type Activities</u>			<u>Governmental Activities- Internal Service Fund</u>
	<u>Enterprise Loans Fund</u>	<u>Enterprise Management Fund</u>	<u>Totals</u>	
Cash flows from operating activities:				
Loan collections from borrowers	\$ 218,427	\$ -	\$ 218,427	\$ -
Intergovernmental revenue	200,000	-	200,000	-
Interest on loans from borrowers	131,022	-	131,022	-
Loan fees from customers	27,930	-	27,930	-
Rent income	-	932,368	932,368	-
Payments to employees	(169,078)	-	(169,078)	-
Payments to vendors	(1,611,305)	(985,672)	(2,596,977)	(3,108)
Payments for interfund services used	(78,324)	-	(78,324)	-
Loans to borrowers	(838,723)	-	(838,723)	-
Miscellaneous reimbursements	143,850	-	143,850	-
Net cash (used) by operating activities	<u>(1,976,201)</u>	<u>(53,304)</u>	<u>(2,029,505)</u>	<u>(3,108)</u>
Cash flows from noncapital financing activities:				
Transfers from other funds	1,065,000	-	1,065,000	-
Transfers to other funds	(615,720)	-	(615,720)	-
Net cash provided by noncapital financing activities	<u>449,280</u>	<u>-</u>	<u>449,280</u>	<u>-</u>
Cash flows from investing activities				
Interest received from investing	18,701	2,324	21,025	1,417
Net decrease in cash and cash equivalents	(1,508,220)	(50,980)	(1,559,200)	(1,691)
Cash and cash equivalents-July 1, 2010	<u>2,134,196</u>	<u>124,732</u>	<u>2,258,928</u>	<u>248,934</u>
Cash and cash equivalents-June 30, 2011	<u>\$ 625,976</u>	<u>\$ 73,752</u>	<u>\$ 699,728</u>	<u>\$ 247,243</u>
Cash with City of Portland investment pool	\$ 425,976	\$ 73,752		\$ 247,243
Restricted cash-City of Portland investment pool	200,000	-		-
Total	<u>\$ 625,976</u>	<u>\$ 73,752</u>		<u>\$ 247,243</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Net operating (loss)	\$ (9,295,120)	\$ (53,304)	\$ (9,348,424)	\$ (3,108)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:				
Decrease in due from City of Portland	560,331	-	560,331	-
Decrease in loans receivable	11,576,079	-	11,576,079	-
Decrease in accounts payable	(12,554)	-	(12,554)	-
Decrease in internal balance payable	(4,804,937)	-	(4,804,937)	-
Total adjustments	<u>7,318,919</u>	<u>-</u>	<u>7,318,919</u>	<u>-</u>
Net cash (used) by operating activities	<u>\$ (1,976,201)</u>	<u>\$ (53,304)</u>	<u>\$ (2,029,505)</u>	<u>\$ (3,108)</u>

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

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
June 30, 2011**

Assets

Cash with City of Portland investment pool	\$	17
Interest receivable		<u>8</u>
Total assets	\$	<u><u>25</u></u>

Liabilities

Accounts payable	\$	<u><u>25</u></u>
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The accompanying notes are an integral part of the financial statements.

PORTLAND DEVELOPMENT COMMISSION
A Component Unit of the City of Portland, Oregon
Notes to the Basic Financial Statements
June 30, 2011

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Portland Development Commission (PDC) is the City of Portland's (the City) urban renewal and redevelopment agency. The Commission was created in 1958 under Article I, Section 15 of the Charter of the City of Portland, Oregon to deliver projects and programs to achieve the City's housing, economic development and redevelopment priorities and to link citizens to jobs. PDC is governed by a five-member Commission, appointed by the Mayor and approved by the City Council to serve a three-year term.

PDC is a component unit of the City and its financial activities are discretely presented in a separate column in the City's basic financial statements.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of PDC. Governmental activities, which normally are supported by tax-increment revenues and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who use or directly benefit from services or privileges provided by the given function, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function. Tax-increment debt proceeds (in lieu of tax-increment revenue) and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary (agency) funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the proprietary funds are reported as separate columns in the fund financial statements. Non-major governmental funds are consolidated into a single column in the basic financial statements. Combining schedules of the components of the Enterprise Loans Fund and the non-major governmental funds are presented in the supplementary data section of the report.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

PORTLAND DEVELOPMENT COMMISSION
A Component Unit of the City of Portland, Oregon
Notes to the Basic Financial Statements, Continued
June 30, 2011

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, PDC considers receivables collected within 60 days after year-end to be available and recognizes them as revenues of the current year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Significant revenues which were measurable and available under the modified accrual basis are comprised of certain intergovernmental revenues consisting primarily of grant proceeds and tax-increment debt proceeds (in lieu of tax-increment revenue).

Loans Receivable and Property Held for Sale are treated as financial resources, an activity that does not result from revenue transactions. No expenditure is recognized when property is purchased or a loan is issued, and income is only recognized for the interest portion of loan collections and any proceeds for property sales in excess of the property's cost basis. Expenditures are recognized if a loan is discounted, or an allowance is recorded. Since loans receivable and properties held for sale are not resources available to liquidate current liabilities, they are offset by a reservation of fund balance.

PDC reports the following major governmental funds:

General Fund (adopted as Urban Redevelopment Fund) – this is PDC's primary operating fund. It accounts for the financial operations not accounted for in any other fund and for indirect administrative costs. Principal resources are reimbursement for services to other funds, contract fees for services provided to other agencies, miscellaneous grants, donations and interest earnings. Primary expenditures are for personal services, operational supplies, and capital outlay.

Housing and Community Development Contract Fund – accounts for the contract with the City of Portland Housing Bureau to administer a portion of the City's Community Development Block Grant Economic Opportunity Initiative programs.

Downtown Waterfront Urban Renewal Fund – accounts for resources used in redeveloping property around Union Station for a variety of public and private uses, including: multifamily housing, redevelopment, and continued rail passenger service; improving the 73-acre south Waterfront Project area, including public streets, riverfront, and park improvements.

River District Urban Renewal Fund – accounts for resources used in the development and construction of a wide range of housing units, new commercial opportunities and open space, all oriented to the Willamette River.

Convention Center Urban Renewal Fund - accounts for resources used to develop a plan for the area surrounding the Oregon Convention Center that will best support Convention Center business, enhance area recreational and entertainment facilities, strengthen ties to downtown

PORTLAND DEVELOPMENT COMMISSION
A Component Unit of the City of Portland, Oregon
Notes to the Basic Financial Statements, Continued
June 30, 2011

Portland, and ensure the area's compatibility with nearby neighborhoods and to develop the Eastbank Riverfront park.

Lents Town Center Urban Renewal Fund – accounts for resources used in the revitalization of commercial and residential areas in and near the existing Lents neighborhood.

Interstate Corridor Urban Renewal Fund – accounts for resources used in the construction and preservation of a wide array of housing options, new family-wage jobs, and the infrastructure investment to support these efforts.

PDC reports the following major proprietary funds:

Enterprise Loans Fund - this enterprise fund accounts for the activities of PDC's various loan programs.

PDC reports the following non-major proprietary funds:

Enterprise Management Fund – this enterprise fund provides for the activity related to the operation and maintenance of PDC properties or City of Portland properties PDC has contracted to manage outside Urban Renewal Areas. Currently, this fund includes operating revenues and expenses of the Headwaters Apartments.

Risk Management Fund – the Internal Service Fund sets aside resources to meet the insurance policy deductibles, if necessary.

Additionally, PDC reports the following fund type:

Fiduciary (Agency) Funds – accounts for loans serviced for outside agencies and held by PDC in a fiduciary capacity. Agency funds do not have a measurement focus, but do use the accrual basis of accounting.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are overhead charges allocated by the General Fund to the Enterprise Loans Fund in the amount of \$122,186. Eliminations of these charges would distort the direct costs reported for the various programs concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for services or privileges provided, 2) operating grants and contributions. All other revenues are considered general revenues.

PORTLAND DEVELOPMENT COMMISSION
A Component Unit of the City of Portland, Oregon
Notes to the Basic Financial Statements, Continued
June 30, 2011

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with ongoing operations. The principal operating revenues of the Enterprise Loans Fund are interest on loans and charges for loan fees. Operating expenses include the administrative and interest expense on borrowings. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Investments

The Portland Development Commission's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The City Charter requires PDC to participate in the City's cash and investment pool. Each fund's portion of this pool is displayed on the Balance Sheet and the Statement of Net Assets as "Cash with City of Portland Investment Pool".

Investment pool cash balances are part of the City's cash management activity and are considered cash and cash equivalents. Activities undertaken by the investment pool on behalf of the proprietary funds are not considered as part of the investing and financing activities of the funds, and details of these investments are not reported in the Statement of Cash Flows. In general, interest earned from pooled investments is allocated to each City fund, including PDC which appears as a single cash account, based on average earnings rate and daily cash balance of each fund. PDC allocates and credits interest received from the City to each individual fund based on the monthly ending cash balance.

The types of investments in which the City may invest are restricted by State of Oregon statutes and a Council adopted investment policy. Authorized investments include general obligations of the United States Government and its agencies, obligations of the States of Oregon, California, Idaho and Washington that have a rating of AA or better, A-1 rated commercial paper and banker's acceptances, Aa rated corporate bonds, time deposits, repurchase agreements and the State of Oregon Local Government Investment Pool.

PDC recorded its investment in the City of Portland Investment Pool at fair value.

2. Receivables and Payables

Activities between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as internal balances. Reimbursements due from other governmental entities for the CDBG Economic Opportunity Initiative (CDBG-EOI) programs are reported as accounts receivable.

PORTLAND DEVELOPMENT COMMISSION
A Component Unit of the City of Portland, Oregon
Notes to the Basic Financial Statements, Continued
June 30, 2011

Loans receivable are recorded when the borrower has signed a promissory note and disbursements are made in accordance with the loan agreement. In the former CDBG housing related loans there is one remaining property which was purchased with CDBG funds in a prior year which is offset by a Due to the City of Portland, the original provider of the funds.

PDC maintains a valuation allowance for loans receivable comprised of an allowance for risk and an allowance for present value discount. The allowance for risk is determined based on the historical performance of each loan type and upon continuing consideration of changes in the character of the portfolio. The allowance for the present value discount represents an estimate of the difference between the present value of discounted net cash flows using the weighted average interest rate for the program within which a given loan belongs.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items both in the government-wide and fund financial statements.

4. Capital Assets

Capital assets include property, plant, and equipment. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of greater than one year. Additions or improvements that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Expenditures for furniture and equipment and real property acquisitions and improvements are stated as capital outlay expenditures in the governmental funds. Capital assets, which are acquired and held for internal use, are stated at historical cost, and include the costs of appraisals and demolition. Donated capital assets are recorded at their fair market value at the date of donation.

Costs incurred for the acquisition and improvements of properties, as an agent for the owner, are not capitalized. Maintenance and repairs of a routine nature are charged to expenditures/expenses as incurred and are not capitalized.

Depreciation on capital assets is recorded in the Statement of Activities and is calculated using a modified half-year convention method on a straight-line basis over the following estimated useful lives.

Asset	Years
Buildings and improvements	50
Leasehold improvements	6
Vehicles	8
Equipment	5-15
Computer software	10
Computer equipment	5

Generally, when construction projects are completed on behalf of the City of Portland, the project's capital assets are transferred to the City at cost. Proceeds from sale of capital assets originally

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purchased with grant resources are reported as due to City of Portland until recycled through the grant program. All other proceeds from the sale of capital assets are recognized as revenue.

5. Property Held for Sale

Land and related buildings and improvements acquired for the purpose of redevelopment and sale are recognized as assets and stated at the lower of cost (including costs of appraisal, demolition, and relocation) or net realizable value and are offset by non-spendable or restricted fund balance depending on the fund classification, except for those acquired with grant proceeds. Property held for sale acquired with grant resources are offset by an amount Due to the City of Portland until cycled through the grant program. Upon final disposition or a decline in the value of the property, gain or loss is charged or credited to operations.

6. Compensated Absences

It is PDC's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since PDC does not have a policy to pay any amounts when employees separate from service. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. Long-term Obligations

Long-term bonded debt issued to finance urban development activities is not reported in the financial statements, but is reported in the City of Portland's financial statements since the debt is the obligation of the City.

8. Fund Equity and Net Assets

PDC's equity is classified as follows in the government wide and proprietary fund financial statements:

Invested in capital assets. This represents PDC's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

Restricted. This represents net assets that are limited in their use by external third parties, laws or regulations of other governments, or imposed by legislation.

Unrestricted. This represents net assets not included in other categories.

PDC's fund balance is classified as follows in the governmental fund financial statements, which reflects the implementation of GASB Statement 54 – Fund Balance Reporting and Governmental Fund Type Definitions this year. The new components of fund balance are designed to indicate the extent to which the government is bound to honor constraints on the specific purpose for which the fund balance can be spent.

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Non-spendable. This includes the portion of fund balance that are not in a spendable form such as prepaids or others such as long term loans receivable, properties held for sale, prepaid expenses.

Restricted. The restriction is imposed by a third party such as creditors or regulators or enabling legislation.

Committed. This represents resources committed by PDC's commission. Resolutions passed by the PDC Board of Commissioners is required to commit or release funds at this level.

Assigned. This represents resources designated by Chief Financial Officer acting in the designated authority with the power to make the assignment as designated by the Board in adopting the implementation of GASB 54.

Unassigned. Residual amount that is not restricted, committed, or assigned in the General Fund and any negative amount in other funds created by expenditures exceeding restricted, committed, or assigned resources.

PDC will spend resources in the following order as appropriate for the specific expenditures when more than one category of fund balance exists; Restricted, Committed, Assigned, and Unassigned. Any exceptions to this spending order must be approved by the Board of Commissioners.

9. Management Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of June 30, 2011, and the reported amounts of revenues, expenditures, and expenses for the year then ended. Actual results could differ from those estimates.

10. New Accounting Pronouncements

GASB Statement No. 59, *Financial Instruments Omnibus* was issued in June 2010. The Statement updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. The Statement is effective for financial statements prepared by state and local governments for periods beginning after June 15, 2010, with earlier application encouraged. PDC will not be subject to this statement as all investing of PDC funds is handled by the City.

In fiscal year 2013 PDC will be subject to GASB Statement No. 60, *Accounting and Financial Reporting for Services Concession Arrangements*. The objective of this statement is to improve the financial reporting of service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. PDC, at present, has no SCA agreements.

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GASB Statement No. 61. *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34* also becomes effective in fiscal year 2013. The objective of this statement is to improve financial reporting for a governmental entity and amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. The effect of this statement on PDC is being evaluated.

In June 2011, GASB issued two new pronouncements: Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* provides financial reporting guidance incorporating deferred outflows and deferred inflows as well as renaming the residual measure as net position rather than net assets, this statement becomes effective fiscal year 2013; Statement No. 64 *Derivative Instruments: Application of Hedge Accounting Termination Provisions* which becomes effective in fiscal year 2012. The effects of these statements are being reviewed.

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

PDC is required by Oregon Local Budget Law to budget all funds except the Agency Funds. All funds, except the Agency Funds, are budgeted on the modified accrual basis of accounting. The resolution authorizing appropriations sets the maximum level of expenditures for each fund. The original budget is adopted by the Commission by resolution prior to the beginning of the fiscal year (July 1 through June 30). The amount reported as “fund balance” on the General Fund budgetary basis of accounting derives from the basis of accounting used in preparing PDC’s budget. This amount differs from the fund balance reported in the statement of revenues, expenditures, and changes in fund balances because of the cumulative effect of the transactions in the table below.

Revenues—budgetary basis	\$ 5,068,987
Loans receivable revenues	(76,835)
Internal service reimbursement	122,186
Allowance for loans receivable	<u>27,061</u>
Revenues—GAAP basis	<u>\$ 5,141,399</u>
Expenditures—budgetary basis	\$ 23,461,120
internal service reimbursement	(18,414,905)
Book new loans receivable	(180,001)
Reclass indirect charges	<u>509,601</u>
Expenditures—GAAP basis	<u>\$ 5,375,815</u>

Appropriations are made by organizational unit; appropriating the expenditure budget by program. Expenditure detail is also provided by the following categories: Personal Services, Materials and Services, Capital Outlay, Financial Assistance, Debt Service, and other levels of control established by

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the resolution. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget may require hearings before the public and publications in newspapers, but always requires approval by the Commission. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the Commission. The Commission approved three supplemental budgets during the fiscal year. Appropriations lapse at each fiscal year-end.

B. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2011, the following funds and programs had expenditures in excess of appropriations:

Fund	Program	Excess
Other federal grants	Business and Industry	\$ 23,304

III. Detailed Notes on All Funds

A. Cash and Cash Equivalents and Cash with City of Portland Investment Pool

The City maintains a cash and investment pool that is available for use by all funds including its component units. Cash and investments are presented on the balance sheet in the basic financial statements at fair value in accordance with GASB Statement No. 31.

All investment pool cash purchases and sales are part of the City's cash management activity and considered cash and cash equivalents. Activities undertaken by the pool on behalf of the proprietary funds are not part of operating, capital, investing, or financing activities of the proprietary funds, and details of these transactions are not reported in the Statement of Cash Flows. In general, interest earned from pooled investments is allocated to each fund based on the average earnings rate and daily cash balance of each fund.

Oregon Revised Statutes (ORS) 294, authorizes the City and component units to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, high-grade commercial paper and the State Treasurer's Local Government Investment Pool (LGIP).

PDC's cash balance as of June 30 is comprised of the following:

Cash on hand	\$	500
Deposits with financial institutions		137,981
Cash with City of Portland investment pool		83,360,900
Restricted cash		200,000
	\$	83,699,381

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The balance is reflected in the Statement of Net Assets and Statement of Fiduciary Assets and Liabilities as follows:

	Governmental Activities	Business- Type Activities	Fiduciary Activities	Total
Cash and cash equivalents	\$ 15,500	\$ -	\$ -	\$ 15,500
Cash with City of Portland investment pool	82,861,155	499,728	17	83,360,900
Cash with fiscal agent	122,981	-	-	122,981
Restricted cash	-	200,000	-	200,000
	<u>\$ 82,999,636</u>	<u>\$ 699,728</u>	<u>\$ 17</u>	<u>\$ 83,699,381</u>

Per the agreement with the City, \$200,000 has been restricted for the establishment of the Homeownership Line of Credit.

The cash with fiscal agent is a deposit in Wells Fargo Bank created to comply with the Economic Development Administration's (EDA) requirement to sequester excess program cash.

Custodial credit risk—deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's deposit policy is in accordance with ORS 295. All deposits are collateralized with eligible securities in amounts determined by the Office of the State Treasurer (OST). The City's deposit policy requires that all deposits are covered by the Federal Deposit Insurance Corporation (FDIC), and/or are collateralized as required by and in compliance with ORS 295.

The FDIC's standard insurance amount is \$250,000 per depositor, per insured bank, for each account ownership category. From December 31, 2010 through December 31, 2012, at all FDIC-insured institutions, deposits held in noninterest-bearing transaction accounts will be fully insured regardless of the amount in the account. Public Money Market Deposit Accounts (PMMDAs) and Negotiable Order of Withdrawal (NOW) accounts are not eligible for this temporary unlimited insurance coverage, regardless of the interest rate, even if no interest is paid

The OST's custodian, Federal Home Loan Bank of Seattle, is the agent of the depository bank. The securities pledged are designated as subject to the Pledge Agreement between the Depository Bank, Custodian Bank and Office of the State Treasurer (OST) and are held for the benefit of OST on behalf of the public depositors.

PDC bank deposits of \$137,981 at Wells Fargo Bank are 100% insured by the FDIC.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

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As of June 30, 2011, the weighted average maturity of the City's investment portfolio was 451 days. To minimize interest rate risk, the City's investment policy limits the portfolio to a maximum weighted average maturity of eighteen months. In addition, no more than 50% of the projected lowest cash balance may be invested in securities with a maturity range beyond two years. All other funds must be invested in less than two-year maturities and must meet the City's cash flow requirements. Investments with maturities greater than two years may be purchased only with the approval of the IAC.

Credit Risk

Credit risk is the financial risk of not receiving principal and interest when due from an issuer. The types of investments permitted by the Investment Policy seeks to minimize this risk by the conservative nature of the permissible investments and by establishing safe limits on the level of investments with Oregon financial institutions and issuers of commercial paper, corporate debt, and monitoring their credit quality on an ongoing basis. A portfolio policy stressing a relatively short maturity and highly rated investment grade debt serves to additionally minimize credit risk.

The City's investments in United States Treasury and Agency Obligations have short-term credit ratings of A-1+ / P-1 / F1+, by Moody's Investor Services, Standard & Poor's, and Fitch Ratings respectively. The City's investments in United States Treasury and Agency Obligations have long-term credit ratings of Aaa / AAA / AAA, by Moody's Investor Services, Standard & Poor's, and Fitch Ratings respectively. The City's investments in Corporate Debt Obligations have short-term or long-term credit ratings of Aa3 / AA- / AA- or better, by Moody's Investor Services, Standard & Poor's, and Fitch Ratings respectively. The City's investments in Municipal Debt Obligations have short-term credit ratings of A-1 / P-1 or better, by Moody's Investor Services, Standard & Poor's, and Fitch Ratings respectively.

As of June 30, 2011, the LGIP was not rated.

Concentration of Credit Risk

Of the City's total investments as of June 30, 2011, 71% percent were United States Agency Debt Obligations or short-term investments. All other investments not explicitly guaranteed by the United States Government were less than five percent of the City's total investments. The City's investment policy addresses credit risk concentration by limiting both the types and amounts of securities that may be held in the portfolio. These portfolio restrictions vary based upon the investment type and issuer. These restrictions as well as other information contained in the City's investment policy are located at: <http://www.portlandonline.com/auditor/index.cfm?c=47787&a=200869>.

Custodial credit risk—investments

For an investment, this is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All trades are executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. The City's investment policy

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complies with ORS 294.035 and ORS 294.810 that lists acceptable investments. As of June 30, 2011, the City had no investments that were held by either counterparty or the counterparty's trust department agent. Therefore, the City has no outstanding investments that were exposed to custodial credit risk.

B. Internal Balances and Transfers

The composition of internal balances is as follows:

<u>Payable Fund</u>	<u>Receivable Fund</u>		
	<u>General Fund</u>	<u>Enterprise Loans Fund</u>	<u>Total</u>
Assets			
General Fund	\$ 135,000	\$ -	<u>\$ 135,000</u>
Governmental Fund Receivables			<u>\$ 135,000</u>
Liabilities			
Housing and Community Development Contract Fund	135,000	700,000	\$ 835,000
Other Governmental Funds	-	25,720	<u>25,720</u>
Governmental Fund Liabilities			<u>\$ 860,720</u>

As of June 30, 2011, the Housing and Community Development Fund owes the Enterprise Loans Fund \$700,000 for short-term Interfund loans for grant expenditures not yet reimbursed by the City of Portland and are repaid in the next accounting period and the Other Federal Grants Fund owes \$25,720 for their proportionate share of property in lieu of payment on an EDA loan.

Interfund transfers made during the year are outlined below.

<u>Transfer out fund</u>	<u>Transfer In Fund</u>	
	<u>General Fund</u>	<u>Total</u>
Enterprise Loans Fund	<u>\$ 50,000</u>	<u>\$ 50,000</u>
	<u>\$ 50,000</u>	<u>\$ 50,000</u>

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C. Loans Receivable

Loans receivable are comprised of commercial loans to small business to promote economic development, which are collateralized by personal property. Net loans receivable are as follows:

<u>Fund and Program</u>	<u>Maximum Term</u>	<u>Interest Rate</u>	<u>Gross Loans Receivable</u>	<u>Allowance And Discount</u>
Major Funds:				
General Fund:				
Urban Development:				
Amortized loans	10 yrs	4%	\$ 767,498	\$ 129,428
Deferred payment loans	10 yrs	4%	49,808	31,047
Total Gross General Fund			<u>817,306</u>	<u>160,475</u>
Total Net General Fund				<u>656,831</u>
Downtown Waterfront Urban Renewal Fund:				
Urban Development:				
Amortized loans	20 yrs	1% to 5%	5,789,084	1,024,116
Deferred payment loans	20 yrs	0% to 3%	7,023,019	3,695,491
Total Gross Downtown Waterfront Urban Renewal Fund			<u>12,812,103</u>	<u>4,719,607</u>
Total Net Downtown Waterfront Urban Renewal Fund				<u>8,092,496</u>
River District Urban Renewal Fund:				
Urban Development:				
Amortized loans	20 yrs	0% to 9%	14,007,780	4,042,212
Deferred payment loans	15 yrs	0% to 5%	18,684,044	11,305,612
Total Gross River District Urban Renewal Fund			<u>32,691,824</u>	<u>15,347,824</u>
Total Net River District Urban Renewal Fund				<u>17,344,000</u>
Convention Center Urban Renewal Fund:				
Urban Development:				
Deferred payment loans	20 yrs	0% to 3%	7,288,967	5,549,948
Amortized loans	30 yrs	1% to 7%	9,110,495	2,515,415
Cash flow loans	43 yrs	1% to 9%	2,960,655	2,914,514
Total Gross Convention Center Urban Renewal Fund			<u>19,360,117</u>	<u>10,979,877</u>
Total Net Convention Center Urban Renewal Fund				<u>8,380,240</u>

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<u>Fund and Program</u>	<u>Maximum Term</u>	<u>Interest Rate</u>	<u>Gross Loans Receivable</u>	<u>Allowance And Discount</u>
Lents Town Center Urban Renewal Fund:				
Urban Development:				
Deferred payment loans	30 yrs	0% to 3%	1,333,034	830,538
Amortized loans	26 yrs	1% to 5%	<u>2,299,423</u>	<u>873,204</u>
Total Gross Lents Town Center Urban Renewal Fund			<u>3,632,457</u>	<u>1,703,742</u>
				Total Net Lents Town Center Urban Renewal Fund
				<u>1,928,715</u>
Interstate Corridor Urban Renewal Fund:				
Urban Development:				
Amortized loans	20 yrs	0% to 9%	4,446,294	2,402,235
Deferred payment loans	20 yrs	0% to 2%	<u>4,078,466</u>	<u>998,196</u>
Total Gross Interstate Corridor Urban Renewal Fund			<u>8,524,760</u>	<u>3,400,431</u>
				Total Net Interstate Corridor Urban Renewal Fund
				<u>5,124,329</u>
Total Gross Major Funds			<u>77,838,567</u>	
				Total Net Major Funds
				<u>41,526,611</u>
<u>Other Governmental Funds:</u>				
Other Federal Grants Fund				
Urban Development:				
Amortized Loans	20 yrs	3% to 8%	<u>1,530,871</u>	<u>203,461</u>
Total Gross Other Federal Grants Fund			<u>1,530,871</u>	<u>203,461</u>
				Total Net Other Federal Grants Fund
				<u>1,327,410</u>
North Macadam Urban Renewal Fund:				
Urban Development:				
Amortized loans	33 yrs	1%	3,041,378	960,799
Cash flow loans	33 yrs	0%	3,181,116	3,108,727
Deferred payment loans	2 yrs	0%	<u>32,735</u>	<u>16,483</u>
Total Gross North Macadam Urban Renewal Fund			<u>6,255,229</u>	<u>4,086,009</u>
				Total Net North Macadam Urban Renewal Fund
				<u>2,169,220</u>
South Park Blocks Urban Renewal Fund				
Urban Development:				
Amortized loans	28 yrs	1% to 5%	<u>2,351,474</u>	<u>508,885</u>
Total Gross South Park Blocks Urban Renewal Fund			<u>2,351,474</u>	<u>508,885</u>
				Total Net South Park Blocks Urban Renewal Fund
				<u>1,842,589</u>

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<u>Fund and Program</u>	<u>Maximum Term</u>	<u>Interest Rate</u>	<u>Gross Loans Receivable</u>	<u>Allowance And Discount</u>
Central Eastside Urban Renewal Fund:				
Urban Development:				
Cash flow	28 yrs	4%	1,180,754	1,148,661
Amortized loans	20 yrs	0% to 9%	3,481,785	1,124,277
Deferred payment loans	20 yrs	4%	<u>1,197,750</u>	<u>683,923</u>
Total Gross Central Eastside Urban Renewal Fund			<u>5,860,289</u>	<u>2,956,861</u>
Total Net Central Eastside Urban Renewal Fund				<u>2,903,428</u>
Gateway Regional Center Urban Renewal Fund:				
Urban Development:				
Amortized loans	20 yrs	1% to 3%	<u>248,294</u>	<u>70,141</u>
Total Gross Gateway Regional Center Urban Renewal Fund			<u>248,294</u>	<u>70,141</u>
Total Net Gateway Regional Center Urban Renewal Fund				<u>178,153</u>
Airport Way Urban Renewal Fund:				
Urban Development:				
Amortized loans	20 yrs	2% to 9%	3,144,309	1,061,922
Deferred payment loans	20 yrs	2% to 9%	<u>1,042,000</u>	<u>724,123</u>
Total Gross Airport Way Urban Renewal Fund			<u>4,186,309</u>	<u>1,786,045</u>
Total Net Airport Way Urban Renewal Fund				<u>2,400,264</u>
Total Gross Other Governmental Funds			<u>20,432,466</u>	
Total Net Other Governmental Funds				<u>10,821,064</u>
Total Gross Governmental Funds			<u>98,271,033</u>	
Total Net Governmental Funds				<u>52,347,675</u>
Enterprise Loans Fund				
Urban Development:				
Amortized loans	15yrs	1% to 7%	<u>2,208,274</u>	<u>229,480</u>
Total Gross Enterprise Loans Fund			<u>2,208,274</u>	<u>229,480</u>
Total Net Enterprise Loans Fund				<u>1,978,794</u>
Total Gross All Funds			\$ <u>100,479,307</u>	
Total Net All Funds				\$ <u>54,326,469</u>

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The combined loan portfolio is composed of the following:

<u>Organizational Unit and Program</u>	<u>Current Year Gross Loan Percentages</u>		<u>Gross Loans Receivable</u>	<u>Allowance And Discount</u>
Urban Development:				
Amortized loans	52.18%	\$	52,426,959	15,145,575
Cash flow loans	7.29%		7,322,525	7,171,902
Deferred payment loans	40.54%		40,729,823	23,835,361
Urban development totals	<u>100.00%</u>		<u>100,479,307</u>	<u>46,152,838</u>
Total Gross Loans	100%	\$	<u><u>100,479,307</u></u>	<u><u>46,152,838</u></u>
Total Net Loans				\$ <u><u>54,326,469</u></u>
Summary Loans Receivable Aging:				
Current loans receivable, net		\$	3,828,175	
Noncurrent loans receivable, net			<u>50,498,294</u>	
Total Net Loans		\$	<u><u>54,326,469</u></u>	

The Loan Loss Allowance is comprised of both an interest discount factor and a loan loss risk factor. The total allowance at June 30, 2011 is broken down as follows:

Interest Discount Factor	\$	15,844,656
Loan Loss Risk Factor		<u>30,308,182</u>
Total Allowance and Discount	\$	<u><u>46,152,838</u></u>

D. Restricted Net Assets

Restricted net assets consist of net assets with constraints placed on the use either by external parties such as creditors, grantors, and contributors, or laws and regulations of other governments, or legally restricted through provisions or enabling legislation. As summarized below, the government-wide statement of net assets report \$213,594,580 of restricted net assets.

Restricted by:		
Enabling legislation:		
Urban renewal	\$	208,969,539
Contributors:		
Public-private partnership agreement		<u>4,625,041</u>
		<u><u>\$ 213,594,580</u></u>

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E. Property Held for Sale

Property held for sale consists of real property PDC intends to sell to appropriate developers or homeowners. The carrying amount of the property is stated at the lower of cost or net realizable value. The carrying value of the property is as follows:

General Fund	\$	146,754
Housing and Community Development Contract Fund		251,456
Downtown Waterfront Urban Renewal Fund		7,830,536
River District Urban Renewal Fund		17,210,600
Convention Center Urban Renewal Fund		18,072,974
Lents Town Center Urban Renewal Fund		9,705,020
Interstate Corridor Urban Renewal Fund		4,304,464
Other Governmental Funds		<u>39,091,686</u>
Total Governmental Funds	\$	<u>96,613,490</u>

F. Capital Assets

PDCs capital assets are all used in community development and are composed of the following:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 6,284,260	\$ -	\$ (182,833)	\$ -	\$ 6,101,427
Work in progress	-	854,362	-	-	854,362
Capital assets, being depreciated:					
Buildings and improvements	2,707,441	-	-	-	2,707,441
Leasehold improvements	3,849,500	1	-	-	3,849,501
Vehicles, and equipment	2,243,828	20,593	(113,310)	-	2,151,111
Intangible software	1,094,384	13,600	(110,391)	(67,199)	930,394
Total capital assets being depreciated	<u>9,895,153</u>	<u>34,194</u>	<u>(223,701)</u>	<u>(67,199)</u>	<u>9,638,447</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,191,269)	(54,150)	-	-	(1,245,419)
Leasehold improvements	(3,144,564)	(704,760)	-	-	(3,849,324)
Vehicles, and equipment	(1,781,291)	(198,362)	82,850	-	(1,896,803)
Intangible software	(67,199)	-	-	67,199	-
Total accumulated depreciation	<u>(6,184,323)</u>	<u>(957,272)</u>	<u>82,850</u>	<u>67,199</u>	<u>(6,991,546)</u>
Total capital assets, being depreciated, net	<u>3,710,830</u>	<u>(923,078)</u>	<u>(140,851)</u>	<u>-</u>	<u>2,646,901</u>
Governmental activities capital assets, net	<u>\$ 9,995,090</u>	<u>\$ (68,716)</u>	<u>\$ (323,684)</u>	<u>\$ -</u>	<u>\$ 9,602,690</u>

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G. Operating Leases

As Lessee

PDC leases office space and land under operating leases. Rental expenditures amounted to approximately \$1,656,240. Future minimum lease payments under PDC's operating leases are as follows:

Fiscal Year Ending	Minimum Lease Payments
2012	\$ 1,035,456
2013	1,066,524
2014	1,098,516
2015	1,131,480
2016	1,165,416
2017-2020	5,021,952
	<u>\$ 10,519,344</u>

The amounts above do not include lessee maintenance charges in excess of the stipulated minimum rental fees. The total of such charges for the fiscal year amounted to approximately \$250,600.

As Lessor

PDC functions as a lessor for office space, parking lot space, and land leases on certain property which it has acquired as part of its urban renewal activities. The carrying value of the property being leased is approximately \$33,928,000, accumulated depreciation is \$292,500. Rental revenue amounted to approximately \$2,188,000 for the fiscal year. The minimum future operating non-cancelable lease revenues are as follows:

Fiscal Year Ending	Minimum Revenue Total
2012	\$ 734,686
2013	78,651
2014	28,811
2015	2,891
2016	11
2017-2021	55
2022-2026	55
2027-2031	55
2032-2036	55
2037-2041	55
2042-2046	55
2047-2049	35
	<u>\$ 845,415</u>

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H. Changes in Long-term Liabilities

	Long-term Beginning Balance	Additions	Payments/ Reductions	Long-term Ending Balances
Governmental activities				
Post employment benefits	\$ 507,267	\$ 131,004	\$ -	\$ 638,271
Pollution Remediation	9,139,186	-	1,209,537	7,929,649
	<u>\$ 9,646,453</u>	<u>\$ 131,004</u>	<u>\$ 1,209,537</u>	<u>\$ 8,567,920</u>

For governmental activities, post employment benefits will generally be liquidated by the general fund and pollution remediation will be liquidated by the capital project fund in which the property is located.

I. Amounts Due To and From the City of Portland

Due To the City of Portland consists principally of an amount related to property held for sale which was acquired via grant funds under the Community Development Block Grant program that PDC administered for the City of Portland and amounts drawn from the City. Balances of Due to the City of Portland by fund as of June 30, 2011 follow.

	Property Held for Sale	Accounts Payable	Ending Balance
Housing and Community			
Development Contract Fund	\$ 251,456	\$ -	\$ 251,456
General Fund	-	180,920	180,920
Downtown Waterfront Urban Renewal Fund	-	41,841	41,841
River District Urban Renewal Fund	-	2,108,892	2,108,892
Convention Center Urban Renewal Fund	-	181,099	181,099
Lents Town Center Urban Renewal Fund	-	1,193,396	1,193,396
Interstate Corridor Urban Renewal Fund	-	703,755	703,755
Other Governmental Funds	-	623,376	623,376
Total	<u>\$ 251,456</u>	<u>\$ 5,033,279</u>	<u>\$ 5,284,735</u>

Grant revenues under various grant programs and other inter-governmental agreements due from the City of Portland totaled \$3,215,383 at June 30, 2011

IV. Other Information

A. Retirement and Deferred Compensation Plans

State of Oregon Public Employees Retirement System

Plan Description

The State of Oregon Public Employees Retirement System (PERS), a cost-sharing multi-employer defined benefit plan, administers a retirement plan for the City and its component units. PDC, as a component unit, has a cost-sharing arrangement with the City. All PDC full-time employees are participants under one or more plans currently available through PERS.

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There are currently two programs with eligibility determined by the date of employment. Those employed prior to August 29, 2003 are PERS Program members. Those employed on or after August 29, 2003 are Oregon Public Service Retirement Plan (OPSRP) Program members.

OPSRP is a hybrid retirement plan with two components: 1) the Pension Program (defined benefit; established and maintained as a tax-qualified governmental defined benefit plan), and 2) the Individual Account Program (IAP) (defined contribution; established and maintained as a tax-qualified governmental defined contribution plan).

Beginning January 1, 2004, all employees who are active members of PERS became members of the OPSRP IAP Program. PERS plan member contributions (the employee contribution, whether made by the employee or “picked-up” by the employer) go into the IAP portion of OPSRP. PERS plan members retain their existing PERS accounts, but any future member contributions will be deposited in the members IAP, not into the member’s PERS account.

Oregon PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700, or on the internet at URL: http://oregon.gov/PERS/section/financial_reports/financials.shtml, or by calling 1-503-598-7377.

Benefits generally vest after contributions are made in five consecutive calendar years or when employee has reached 50 years of age. Retirement is allowed at age 58 (age 60 for Tier Two members) or with 30 years of service with unreduced benefits, but retirement is generally available after age 55 with reduced benefits. Retirement benefits, based on final average salary and length of service, are calculated using either a money match, full formula, or a formula plus annuity computation, if a greater benefit results, and are payable in a lump sum or monthly using several payment options. PERS also provides death and disability benefits. These benefit provisions and other requirements are established by state statutes.

Funding Policy

Employer contributions are required by state statute and are made at actuarially determined rates as adopted by the Oregon Public Employees Retirement Board. Contributions made by PDC for the year ended June 30, 2011 on behalf of qualifying employees represented 6% of covered payroll.

Risk Pooling and Revised PERS Contribution Rates

Effective January 1, 2000, the City elected to participate in the Local Government Rate Pool (LGRP). The LGRP was created by legislative act of the State of Oregon and provided governments the option to pool their PERS related assets and liabilities with others that elected to participate in the pool, whereby contribution rates are determined based on the overall experience of the pool versus the potentially more volatile experience of individual employers. The LGRP was expanded and replaced by the State and Local Government Rate Pool (the SLGRP). The City made the election to join the SLGRP as of January 1, 2002.

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The most recent actuarial valuation was prepared for the period ending December 31, 2007. In September 2010, the City was notified by the PERS actuarial firm that based on the most recent actuarial valuation the City's contribution rate would be increasing for the upcoming fiscal year 2012 to 8.4% for Tier 1 and Tier 2 members and 6.79% for OPSRP members.

Annual Pension Cost

PERS sets the rate for the SLGRP, based on the independent actuarial study that is performed every two years. This rate establishes the annual required contribution for the City and PDC.

Other Supplementary Information

Schedule of Rates expressed as a percentage of covered payroll

	Fiscal Year					
	2009		2010		2011	
	PERS	OPSRP	PERS	OPSRP	PERS	OPSRP
PES Defined Benefit Plan	6.66%	9.21%	4.30%	5.04%	4.30%	5.04%
Employee IAP*	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
	<u>12.66%</u>	<u>15.21%</u>	<u>10.30%</u>	<u>11.04%</u>	<u>10.30%</u>	<u>11.04%</u>

**PDC has chosen to pay the employee contributions to the IAP as an additional employee benefit*

The amounts contributed to PERS during the years ended June 30, 2009, 2010, and 2011 were equal to the required contributions for each year. The approximate covered payroll and actual amounts contributed by PDC were as follows:

Schedule of Employer Contributions

	2009	2010	2011
Covered Payroll	\$ 14,305,937	\$ 15,778,255	\$ 11,921,205
PERS Contributions*	1,970,957	1,711,281	1,266,681

**As provided by Oregon PERS*

In 1997, as a result of changing legislation and a court decision mandating taxation of state PERS benefits for retirees, the actuaries determined that the PERS unfunded liability for the City's plan was \$257 million. This unfunded liability would have created extremely high contributions percentages each employer, including PDC, would need to come up with each year. In order to help the City, and the organizations meet the financial demands of the liability, the City issued a 30 year bond for \$300 million. \$257 million was put directly into PERS to offset the unfunded liability, and make the annual contributions a more manageable amount. PDC's contributions to the City's Annual Pension Cost for its share of their PERS liability over the last three fiscal years were as follows:

Fiscal Year	
Ended	Amount
2009	\$ 359,159
2010	384,883
2011	467,363

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B. Other Post-employment Benefits

Plan Description. PDC does not have a formal post-employment benefits plan for any employee groups; however the PDC is required by Oregon Revised Statutes 243.303 to provide retirees with group health and dental insurance from the date of retirement to age 65 at the same rate provided to current employees. GASB 45 is applicable to the PDC due only to the implicit rate subsidy. This "plan" is not a stand-alone plan and therefore does not issue its own financial statements.

Funding Policy. In addition to the pension benefits described in Note IV.A., PDC provides post-retirement health care benefits in accordance with PDC Personnel Policy XIII. Employee Benefits. This PDC policy, in line with Oregon law, provides that retired employees and their dependents are eligible to participate in group insurance coverage at their own cost until age 65, or when they are otherwise eligible for Medicare. Eligibility is contingent on meeting the requirements to receive retirement benefits from PERS as discussed in the previous section. Dependents of a retired PDC Employee may participate in group coverage at the time of retirement; only so long as the retiree is covered by a PDC plan. As of June 30, 2011, PDC has eleven eligible post-retirement participants enrolled and paying the full cost of their premiums.

Annual Other Post-employment Benefits Cost and Net Other Post-employment Benefits Obligation. The PDC's annual other post-employment benefit cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of 15 years. The following table shows the components of the PDC's annual other post-employment benefit cost for the year, the amount actually contributed to the plan, and changes in the PDC's other post-employment benefit obligation to the plan. PDC participates in a cost-sharing multi-employer plan.

Net OPEB Obligation at FYE 2010	\$ 507,267
Annual OPEB Cost/Annual Required Contribution (a)	228,289
Interest on net OPEB obligation (b)	22,827
Adjustment to the ARC (c)	<u>(35,806)</u>
Net annual OPEB cost (a + b + c)	215,310
Dollars contributed this FY (implicit benefit payments) (d)	<u>(84,306)</u>
Increase/Decrease in the Net OPEB Obligation during FY (a+b+c+d)	<u>131,004</u>
Net OPEB Obligation at FYE 2011	<u>\$ 638,271</u>

Funding Status and Funding Progress. As of August 1, 2010, the actuarial accrued liability for benefits was \$1,082,727, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,082,727. The covered payroll (annual payroll of active employees covered by the plan) was \$12,845,833 for fiscal year 2011 and the ratio of the UAAL to the covered payroll was 8.4%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined

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regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Paid</u>	<u>Net OPEB</u> <u>Obligation</u>
2011	\$ 215,310	39.16%	\$ 638,271
2010	203,726	33.44%	507,267
2009	249,420	22.69%	371,649

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan member to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the August 2010 actuarial valuation performed by Milliman the projected unit credit cost method was used. The economic actuarial assumptions included a 2.75% inflation rate and a 4.0% investment rate of return, and annual healthcare cost trend rate of 8.5% for the first year that is graded down to 6.0 for the fourth through 23rd year, and 5.5% for the 24th through 47th year and 5.0% thereafter. Dental costs are assumed to increase 5.0% per year. Demographic assumptions were based on assumptions used by Oregon PERS for its 2009 actuarial valuation of retirement benefits.

In addition, PDC contributes to Oregon Public Employees Retirement System's (OPERS) Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other post-employment benefit plan administered by OPERS. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700.

The RHIA plan was created by enabling legislation (ORS 238.420) and therefore the contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both

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Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating local governments are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.29% for Tier 1 and 2 accounts and 0.19% for OPSRP accounts of annual covered payroll. The OPERS Board of Trustees sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. Amortized as a level percentage of payroll; UAL (10 year) amortization period is closed. An inflation rate of 2.75% is used for this agent multiple-employer postemployment benefit plan. Required and actual contributions are reported below:

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u>	<u>Actual</u> <u>Contribution</u>
2011	\$ 9,961	\$ 19,369
2010	29,978	29,978
2009	37,195	37,195

C. Commitments

Contractual and other commitments for subsequent years' expenditures amounting to \$30,006,847 are included in the restricted fund balances indicating tentative plans for utilization in future periods. In addition, PDC has contractual and other commitments relating to future expenditures for grant projects, grant funded loan commitments, and Enterprise Loans Fund loan commitments aggregating \$69,610.

Commitments for subsequent year's expenditures are as follows:

	<u>Restricted for</u> <u>Urban Renewal</u>	<u>Restricted for</u> <u>contractual</u> <u>obligation</u>	<u>Total</u>
Fund Balance for:			
Downtown Waterfront Urban Renewal Area	\$ 418,338	\$ -	\$ 418,338
River District Urban Renewal Area	9,943,485	-	9,943,485
Convention Center Urban Renewal Area	1,697,230	-	1,697,230
Lents Town Center Urban Renewal Area	6,644,843	-	6,644,843
Interstate Corridor Urban Renewal Area	16,905	-	16,905
Other Governmental Funds	10,762,978	523,068	11,286,046
Total	<u>29,483,779</u>	<u>523,068</u>	<u>30,006,847</u>

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D. PDC's Use of the City of Portland's Conduit Debt

The City has issued Economic Development Revenue Bonds (bonds). The proceeds of these bond sales are used by private developers to finance capital expansion in urban renewal areas.

The City's and PDC's participation in the financing of these projects enables the developer to utilize applicable provisions of the United States Internal Revenue Code (IRC Section 103) of 1954, as amended. IRC Section 103 encourages the construction of certain facilities and the public financing thereof through revenue bonds by providing that the interest on such bonds, as contrasted with any bonds issued by the developer itself, will be exempt from federal income tax. This tax exemption enables the purchasers of the bonds to accept a lower rate of interest and, since the developer in effect pays the interest on the bonds, reduces the interest cost of the project financing to the developer.

The bond indentures provide that the bonds shall never constitute a general obligation of, an indebtedness of, or a charge against the general credit of the City or PDC. Nor are the bonds payable in any manner from revenue raised by taxation. Rather, the bonds will be special obligations of the City payable solely from the revenues, receipts, and resources pledged under the indentures and not from other revenues, funds, or assets of the City.

The bonds are collateralized solely by the specific project and payments are made by the developers. The bonds shall not be payable from or a charge against any other funds or assets, nor shall the City or PDC be subject to any liability thereon. No holder or holders of the bonds shall ever have the right to compel any exercise of the taxing power of the City to pay the bonds or the interest thereon, nor to enforce payment thereof against any property of the City or PDC except the specific project. Upon completion of the repayment of the debt by the developer, the assets constructed become the property of the developer. At June 30, 2011, the total of the City's conduit debt outstanding as related to PDC development projects is \$116,240,000. Approximately, \$111,275,000 was for housing related projects. As of July 1, 2010 PDC is no longer responsible for housing projects. This amount may differ from actual amounts reported in the City CAFR because not all conduit debt issued by the City is related to PDC projects.

E. Contingencies

In the normal course of business PDC is subject to litigation. The opinion of PDC's General Counsel is that the outcome of any litigation will not have a significant effect on the financial statements. PDC may be obligated in the future under the following contingency.

Portland Community Reinvestments Initiatives, Inc.

On August 1, 1998, the City and PDC, acting as agent for the City, executed an Amended and Restated Agreement (Agreement) to guarantee any deficiencies in debt service under a \$10,000,000 term loan between Portland Community Reinvestment Initiatives, Inc. (PCRI) and U.S. Bank National Association (U.S. Bank). The Agreement replaces a series of prior agreements, which started in 1992.

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Under the Agreement, the City specifically pledged all of its Community Development Block Grant funds and income administered by the federal Department of Housing and Urban Development to the extent they are needed to cure an event of default by PCRI under the term loan. The City, acting through PDC, also pledged loans held by PDC for the City as additional collateral. Quarterly certifications were passed to the Portland Housing Bureau as of June 30, 2010 and PDC has been released of all obligations.

F. Risk Management

PDC is not part of the City of Portland's self-insurance program and purchases a variety of commercial insurance policies to protect itself against loss. Like most other large public agencies, PDC is exposed to various risk of loss related to torts, errors and omissions, general liability, property damage, worker's compensation, and unemployment claims.

PDC is insured by the State Accident Insurance Fund (SAIF) against losses from employee workers' compensation claims up to a limit of \$500,000 for each incident and each employee. PDC is covered by a commercial general liability policy through Glatfelters American Alternative Insurance in the amount of \$1,000,000 per occurrence, \$3,000,000 aggregate and an additional \$8,000,000 excess liability policy subject to \$5,000 deductible for each wrongful act or occurrence and a blanket property policy through Lloyd's of London for \$100,000,000. A separate policy provides coverage for faithful performance (employee dishonesty) through Hartford Insurance in the amount of \$300,000, providing protection from losses from forgery, alteration, theft, and disappearance; employment practices liability coverage is provided through Zurich American Insurance in the amount of \$3,000,000 per claim with a \$150,000 deductible per claim; public officials errors and omission coverage is provided through American Alternative Insurance in the amount of \$1,000,000 with a \$3,000,000 aggregate and a deductible of \$5,000 per claim. Automobile coverage for PDC fleet vehicles is provided through American Alternative Insurance in the amount of \$1,000,000 for bodily injury/property damage with a \$250 deductible for comprehensive and \$500 deductible for collision. Umbrella policy provides an additional \$8 million under the excess liability umbrella policy.

PDC has an aggressive risk management policy of transferring liability to contractors, lessees, event sponsors, and other entities through specific indemnification and insurance requirements in all contracts and agreements. PDC has been successful in resolving claims and has not suffered any significant losses over the past year. In addition, there have been no reductions in insurance coverage and no insurance settlements have exceeded insurance coverage limits in any of the past six fiscal years.

The Internal Service Fund has equity of \$248,265 to meet insurance policy deductible amounts and other amounts not fully reimbursed from insurance proceeds, as necessary. Of this amount, \$215,392 is an insurance deductible reserve as required by the Rivers East LLC Rent Abatement Agreement.

Changes in the balances of claims liabilities including incurred but not reported (IBNR) liabilities during the past two fiscal years are as follows:

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	2011	2010
Unpaid claims, beginning of year	\$ 550,000	\$ -
Incurred claims (including IBNRs)	-	550,000
Claim payments	(550,000)	-
Unpaid claims, end of fiscal year	\$ -	\$ 550,000

Environmental Risk

GASBS 49 provides guidance for state and local governments in estimating and reporting the potential costs of pollution remediation. While GASBS 49 does not require the PDC to search for pollution, it does require PDC to reasonably estimate and report a remediation liability when any of the following obligating events has occurred:

- Pollution poses an imminent danger to the public and PDC is compelled to take action;
- PDC is in violation of a pollution related permit or license;
- PDC is named or has evidence that it will be named as responsible party by a regulator;
- PDC is named or has evidence that it will be named in a lawsuit to enforce a cleanup; or
- PDC commence or legally obligates itself to conduct remediation activities.

Site investigation, planning and design, cleanup and site monitoring are typical remediation activities underway across the many PDC properties. PDC has programs, rules, and regulations that routinely deal with remediation related issues. Much of PDC's mission is to deal with blighted properties which sometimes include pollution conditions. PDC has the knowledge and expertise to estimate the remediation but also employs consultants when expedient. The obligations presented herein are based on estimates by both PDC staff and consultants and are based up prior experience in identifying and funding similar remediation activities. The standards require PDC to calculate pollution remediation liabilities using the expected cash flow technique. Where PDC cannot reasonably estimate a pollution remediation obligation, it does not report a liability.

The remediation obligation estimates that appear in this report are subject to change over time. Cost may vary due to price fluctuation, changes in technology, changes in potential responsible parties, results of environmental studies, changes to statutes or regulation and other factors that could result in revisions to these estimates. Prospective recoveries from responsible parties may reduce PDC's obligation.

During the fiscal year, PDC recognized estimated revenue which decreased the liability by \$1,209,537. At June 30, 2011, PDC had an outstanding pollution remediation liability of \$7,929,649.

Portland Harbor Superfund

In January 2008, the City of Portland, and subsequently PDC, was notified of a CERCLA 104 (e) records request and therefore potential liability with respect to the Portland Harbor Superfund that may include 46 current and previously-owned PDC parcels on or adjacent to the lower reach of the Willamette River. The Portland Harbor Superfund matter is still in the early discovery stage, and it is likely to be several years before any potential liability is known.

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G. Related Party Transactions

Portland Family of Funds Holdings, Inc.

Portland Development Commission has a working relationship with Portland New Markets Fund I, LLC (PNMF), a subsidiary owned by the Portland Family of Funds Holdings, Inc., an Oregon mutual-benefit corporation (PFF), for purposes of obtaining New Market Tax Credit (NMTC) Allocations from the U.S. Treasury.

PNMF was certified as a Community Development Entity in August 2002, by the Community Development Financial Institutions Fund of the U.S. Department of the Treasury in order to become eligible for tax credits through the NMTC program. PNMF was awarded \$100 million in NMTC allocation authority as part of the NMTC program established by Congress. All of the tax credits awarded have been committed to City of Portland projects.

It is intended that through the NMTC program and PNMF, PDC will be able to advance beneficial development projects in the City of Portland. The "NMTC Collaboration Agreement" between PDC, PFF, and PNMF dated May 11th, 2005, outlines the respective roles and responsibilities of the working relationship between the entities. This agreement will continue in force for any future awards of NMTC allocation authority given to PFF or any of its subsidiaries.

PDC's role consists of project identification and sourcing, as well as veto and joint approval rights of proposed projects. The functions of PNMF include ongoing day-to-day management control and fundraising activities, and all tax-credit related financial transactions will be recorded by PNMF. PNMF is charged with activities for raising private equity capital, lending their own credit, and owning private equity. Such activities are constitutionally prohibited to PDC by Article XI, Section 9 of the Oregon Constitution.

Portland Small Business Investment Fund, LLC (PSB) is a subsidiary of PFF. PDC has an unsecured non-recourse loan with PSB, in a maximum amount of \$4,000,000. The purpose of this program is to finance subordinated loans to qualified small businesses to enable them to use New Market Tax Credits. PDC underwrites these borrowers. At present six fund-level loans between PDC and PSB have a total balance of \$4,000,000 at June 30, 2010, with 20-year final maturities. Each advance to PSB is exactly matched by a corresponding note and deed of trust from a small business borrower in favor of PSB. PSB passes on payments received to PDC.

All such loans are interest-only and are unsecured during the seven-year holding period required to obtain the maximum benefit from New Market Tax Credits. Borrowers may not prepay loans during this period, Interest rates during the first seven years range from 1% to 3%. The loans then convert to fully amortizing loans at interest rates ranging from 3% to 6% for the next 13 years, at that time PDC receives a security interest in the loans. Interstate Corridor URA, Lents URA, and Oregon Convention Center URA all reserve these loans at a 10% rate.

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Unrelated to the tax credit program are two deferred payment loans for the historic Armory restoration project totaling \$4,600,000 to the Portland New Markets Investment Fund, a PFF subsidiary. One loan for \$2,600,000 carries an interest rate of 3%, and the other loan for \$2,000,000 has no stated interest rate. Both loans mature in January 2013. They are reserved at 50% in the River District Urban Renewal Fund.

A former PDC Commissioner now serves as Portland Family of Funds chairman and chief executive officer. Two former PDC Executives serve on the PFF Board of Directors.

Other

In the course of carrying out the City of Portland's development policies, PDC engaged in numerous transactions with the City, including but not limited to the provision of materials and services, real property acquisition, development, transfers, and sales. PDC also participates in the City of Portland's cash investment pool.

H. Reviews by Grantor Agencies

Costs of each grant project are subject to review by the grantor agency to assure that such costs are in accordance with or further the purpose of the grant program. Any costs disallowed as the result of the review would become a liability and could require the return of such amounts to the grantor agency.

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REQUIRED SUPPLEMENTARY INFORMATION

**Other Postemployment Healthcare Benefits
Schedule of Fund Progress**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
8/1/06	\$ -	\$ 994,779	\$ 994,779	0.0%	\$13,272,207	7.5%
8/1/08	-	1,176,724	1,176,724	0.0%	14,305,934	8.2%
8/1/10	-	1,082,727	1,082,727	0.0%	12,845,833	8.4%

Supplementary Data

Combining Statements and Schedules, Budgetary Schedules, and Schedules of
Capital Assets Used in the Operation of Governmental Funds

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

HOME Grants Fund - accounts for revenues and expenditures under the Housing and Urban Development HOME Grant.

Other Federal Grants Fund - accounts for revenues and expenditures for an EDA Grant.

Ambassador Program Fund - accounts for monies donated by private businesses for outreach activities.

Enterprise Zone Fund - accounts for monies received from participating Enterprise Zone companies to provide the North/Northeast Portland community with workforce and business development opportunities.

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

North Macadam Urban Renewal Fund - accounts for resources used in the redevelopment of the district into a major mixed-use Central City neighborhood, with a spectacular greenway and parks system, with improved transportation infrastructure and accessibility, enhanced public amenities and uses.

South Park Blocks Urban Renewal Fund - accounts for resources used in the development and improvement of the south park blocks.

Central Eastside Urban Renewal Fund - accounts for resources used in the development and improvement of the central eastside while maintaining a good environment for existing businesses by making improvements and developing the Eastbank Riverfront park.

Gateway Regional Center Urban Renewal Fund - accounts for resources used to transform the area into a Regional Center with enhanced housing, employment, recreational and cultural opportunities.

Airport Way Urban Renewal Fund - accounts for resources used for: acquisitions and construction related to the Riverside Parkway projects; projects to increase job density by attracting and retaining businesses; supporting transit and other infrastructure investments; increasing Portland's inventory of developable land for industry and creation of quality jobs; and protecting the natural resources of the greater Portland area.

Willamette Industrial Urban Renewal Fund - accounts for resources used to attract new industrial, high-technology, manufacturing, and distributing businesses to the currently vacant or unused parcels of land.

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2011**

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
ASSETS			
Cash with City of Portland investment pool	\$ 1,736,985	\$ 34,061,737	\$ 35,798,722
Cash with fiscal agent	122,981	-	122,981
Receivables:			
Due from City of Portland	-	100,858	100,858
Loans, net	1,327,410	9,493,654	10,821,064
Interest	4,851	143,487	148,338
Property held for sale	416,430	38,675,256	39,091,686
	<u>\$ 3,608,657</u>	<u>\$ 82,474,992</u>	<u>\$ 86,083,649</u>
Total assets			
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 214	\$ 143,536	\$ 143,750
Due to City of Portland	-	623,376	623,376
Due to other entities	-	17,331	17,331
Due to other funds	25,720	-	25,720
	<u>25,934</u>	<u>784,243</u>	<u>810,177</u>
Total liabilities			
Fund balances:			
Restricted			
Loans receivable	1,327,410	9,493,654	10,821,064
Property held for sale	416,430	38,675,256	39,091,686
Urban renewal	-	33,521,839	33,521,839
Contractual obligations	1,838,883	-	1,838,883
	<u>3,582,723</u>	<u>81,690,749</u>	<u>85,273,472</u>
Total fund balances			
Total liabilities and fund balances	<u>\$ 3,608,657</u>	<u>\$ 82,474,992</u>	<u>\$ 86,083,649</u>

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For The Fiscal Year Ended June 30, 2011**

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental revenues	\$ -	\$ 120,000	\$ 120,000
Charges for services	63,993	686,048	750,041
Loan interest collections	61,077	215,630	276,707
Interest on investments	7,523	274,237	281,760
Miscellaneous	1,531,891	579,005	2,110,896
Tax-increment debt proceeds (in lieu of tax-increment revenue)	-	19,242,830	19,242,830
Total revenues	1,664,484	21,117,750	22,782,234
EXPENDITURES			
Current-			
Community development	236,714	14,619,854	14,856,568
Capital outlay	2,332	10,787,748	10,790,080
Financial assistance	352,746	12,584,366	12,937,112
Debt service:			
Interest	-	727,463	727,463
Total expenditures	591,792	38,719,431	39,311,223
Excess (deficiency) of revenues over expenditures	1,072,692	(17,601,681)	(16,528,989)
Net change in fund balances	1,072,692	(17,601,681)	(16,528,989)
FUND BALANCES - July 1, 2010	2,510,031	99,292,430	101,802,461
FUND BALANCES - June 30, 2011	\$ 3,582,723	\$ 81,690,749	\$ 85,273,472

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2011**

	HOME Grant Fund	Other Federal Grants Fund	Ambassador Program Fund	Enterprise Zone Fund	Total
ASSETS					
Cash with City of Portland investment pool	\$ 114	\$ 344,425	\$ 20,681	\$ 1,371,765	\$ 1,736,985
Cash with fiscal agent	-	122,981	-	-	122,981
Receivables:					
Loans receivable, net	-	1,327,410	-	-	1,327,410
Interest	-	1,433	88	3,330	4,851
Other	-	416,430	-	-	416,430
Total assets	\$ 114	\$ 2,212,679	\$ 20,769	\$ 1,375,095	\$ 3,608,657
LIABILITIES AND FUND BALANCES					
Liabilities-					
Accounts payable	\$ -	\$ 214	\$ -	\$ -	\$ 214
Due to other funds	-	25,720	-	-	25,720
Total liabilities	-	25,934	-	-	25,934
Fund balances:					
Restricted					
Loans receivable	-	1,327,410	-	-	1,327,410
Property held for sale	-	416,430	-	-	416,430
Contractual obligations	114	442,905	20,769	1,375,095	1,838,883
Total fund balances	114	2,186,745	20,769	1,375,095	3,582,723
Total liabilities and fund balances	\$ 114	\$ 2,212,679	\$ 20,769	\$ 1,375,095	\$ 3,608,657

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
NONMAJOR SPECIAL REVENUE FUNDS
For The Fiscal Year Ended June 30, 2011**

	HOME Grant Fund	Other Federal Grants Fund	Ambassador Program Fund	Enterprise Zone Fund	Total
REVENUES					
Charges for services	\$ -	\$ 3,011	\$ -	\$ 60,982	\$ 63,993
Loan collections	-	61,077	-	-	61,077
Interest on investments	-	3,204	150	4,169	7,523
Miscellaneous	-	390,710	-	1,141,181	1,531,891
Total revenues	-	458,002	150	1,206,332	1,664,484
EXPENDITURES					
Current-					
Community development	118,068	43,097	2,900	72,649	236,714
Capital outlay	-	2,332	-	-	2,332
Financial assistance	-	348,307	-	4,439	352,746
Total expenditures	118,068	393,736	2,900	77,088	591,792
Excess (deficiency) of revenues over (under) expenditures	(118,068)	64,266	(2,750)	1,129,244	1,072,692
Net change in fund balances	(118,068)	64,266	(2,750)	1,129,244	1,072,692
FUND BALANCES - July 1, 2010	118,182	2,122,479	23,519	245,851	2,510,031
FUND BALANCES - June 30, 2011	\$ 114	\$ 2,186,745	\$ 20,769	\$ 1,375,095	\$ 3,582,723

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**HOME GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
Current:				
Community development:				
Housing	\$ -	\$ 118,182	\$ 118,068	\$ 114
Total Community development	<u>-</u>	<u>118,182</u>	<u>118,068</u>	<u>114</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(118,182)</u>	<u>(118,068)</u>	<u>114</u>
OTHER FINANCING SOURCES (USES)				
Transfers out-				
Enterprise Loans Fund	<u>-</u>	<u>(4,000)</u>	<u>(4,000)</u>	<u>-</u>
Total transfers out	<u>-</u>	<u>(4,000)</u>	<u>(4,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>(4,000)</u>	<u>(4,000)</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>(122,182)</u>	<u>(122,068)</u>	<u>114</u>
FUND BALANCE - July 1, 2010	<u>-</u>	<u>122,182</u>	<u>122,182</u>	<u>-</u>
FUND BALANCE - June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 114</u>	<u>\$ 114</u>

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**OTHER FEDERAL GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services:				
Application fees and charges	\$ -	\$ -	\$ 3,011	\$ 3,011
Loan Collections:				
Principal	91,200	91,200	103,831	12,631
Interest	60,800	60,800	61,077	277
Interest on investments	-	-	3,204	3,204
Miscellaneous:				
Recovery of bad loan debt	-	-	390,710	390,710
Total revenues	<u>152,000</u>	<u>152,000</u>	<u>561,833</u>	<u>409,833</u>
EXPENDITURES				
Current:				
Community development:				
Housing	-	31	-	31
Business & industry	450,000	725,000	748,304	(23,304)
Total Community development	<u>450,000</u>	<u>725,031</u>	<u>748,304</u>	<u>(23,273)</u>
Contingency	34,451	82,066	-	82,066
Total expenditures	<u>484,451</u>	<u>807,097</u>	<u>748,304</u>	<u>58,793</u>
Excess (deficiency) of revenues over expenditures	<u>(332,451)</u>	<u>(655,097)</u>	<u>(186,471)</u>	<u>468,626</u>
OTHER FINANCING USES				
Internal service reimbursements	(37,510)	(37,510)	(37,510)	-
Total other financing uses	<u>(37,510)</u>	<u>(37,510)</u>	<u>(37,510)</u>	<u>-</u>
Net change in fund balance	(369,961)	(692,607)	(223,981)	468,626
FUND BALANCE - July 1, 2010	<u>369,961</u>	<u>692,607</u>	<u>692,606</u>	<u>(1)</u>
FUND BALANCE - June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>468,625</u>	<u>\$ 468,625</u>
Adjustments to generally accepted accounting principles basis:				
Loans receivable, net			1,327,410	
Interfund advances			(25,720)	
Property held for sale			<u>416,430</u>	
FUND BALANCE - June 30, 2011 (GAAP BASIS)			<u>\$ 2,186,745</u>	

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**AMBASSADOR PROGRAM FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest on investments	\$ -	\$ 100	\$ 150	\$ 50
Total revenues	<u>-</u>	<u>100</u>	<u>150</u>	<u>50</u>
EXPENDITURES				
Current:				
Business & industry	<u>25,000</u>	<u>23,619</u>	<u>2,900</u>	<u>20,719</u>
Total Community development	<u>25,000</u>	<u>23,619</u>	<u>2,900</u>	<u>20,719</u>
Total expenditures	<u>25,000</u>	<u>23,619</u>	<u>2,900</u>	<u>20,719</u>
Excess (deficiency) of revenues over expenditures	<u>(25,000)</u>	<u>(23,519)</u>	<u>(2,750)</u>	<u>20,769</u>
Net change in fund balance	(25,000)	(23,519)	(2,750)	20,769
FUND BALANCE - July 1, 2010	<u>25,000</u>	<u>23,519</u>	<u>23,519</u>	<u>-</u>
FUND BALANCE - June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,769</u>	<u>\$ 20,769</u>

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**ENTERPRISE ZONE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services:				
Application fees and charges	\$ 20,000	\$ 50,000	\$ 60,982	\$ 10,982
Interest on investments	10,000	2,000	4,169	2,169
Miscellaneous:				
Other	-	625,023	1,141,181	516,158
Total revenues	<u>30,000</u>	<u>677,023</u>	<u>1,206,332</u>	<u>529,309</u>
EXPENDITURES				
Current:				
Business & industry	108,639	320,000	63,401	256,599
Total Community development	108,639	320,000	63,401	256,599
Contingency	175,942	611,840	-	611,840
Total expenditures	<u>284,581</u>	<u>931,840</u>	<u>63,401</u>	<u>868,439</u>
Excess (deficiency) of revenues over expenditures	<u>(254,581)</u>	<u>(254,817)</u>	<u>1,142,931</u>	<u>1,397,748</u>
OTHER FINANCING USES				
Internal service reimbursements	(9,248)	(9,248)	(9,248)	-
Total other financing uses	<u>(9,248)</u>	<u>(9,248)</u>	<u>(9,248)</u>	<u>-</u>
Net change in fund balance	(263,829)	(264,065)	1,133,683	1,397,748
FUND BALANCE - July 1, 2010	<u>263,829</u>	<u>264,065</u>	<u>241,412</u>	<u>(22,653)</u>
FUND BALANCE - June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,375,095</u>	<u>\$ 1,375,095</u>

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
NONMAJOR CAPITAL PROJECTS FUNDS
June 30, 2011**

	North Macadam Urban Renewal Fund	South Park Blocks Urban Renewal Fund	Central Eastside Urban Renewal Fund
ASSETS			
Cash with City of Portland investment pool	\$ 8,225,033	\$ 12,783,624	\$ 2,267,317
Receivables:			
Due from City of Portland	-	-	-
Loans, net	2,169,220	1,842,589	2,903,428
Interest	31,780	64,406	7,866
Property held for sale	3,730,829	3,806,623	13,979,401
Total assets	\$ 14,156,862	\$ 18,497,242	\$ 19,158,012
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 15,934	\$ 19,127	\$ 39,242
Due to City of Portland	284,106	158,329	48,062
Due to other entities	-	-	-
Total liabilities	300,040	177,456	87,304
Fund balances:			
Restricted			
Loans receivable	2,169,220	1,842,589	2,903,428
Property held for sale	3,730,829	3,806,623	13,979,401
Urban renewal	7,956,773	12,670,574	2,187,879
Total fund balances	13,856,822	18,319,786	19,070,708
Total liabilities and fund balances	\$ 14,156,862	\$ 18,497,242	\$ 19,158,012

<u>Gateway Regional Urban Renewal Fund</u>	<u>Airport Way Urban Renewal Fund</u>	<u>Willamette Industrial Urban Renewal Fund</u>	<u>Total</u>
\$ 3,658,269	\$ 5,159,797	\$ 1,967,697	\$ 34,061,737
100,858	-	-	100,858
178,153	2,400,264	-	9,493,654
13,381	21,951	4,103	143,487
<u>4,804,081</u>	<u>12,354,322</u>	<u>-</u>	<u>38,675,256</u>
<u>\$ 8,754,742</u>	<u>\$ 19,936,334</u>	<u>\$ 1,971,800</u>	<u>\$ 82,474,992</u>
\$ 60,569	\$ 8,664	\$ -	\$ 143,536
128,749	3,815	315	623,376
<u>4,131</u>	<u>13,200</u>	<u>-</u>	<u>17,331</u>
<u>193,449</u>	<u>25,679</u>	<u>315</u>	<u>784,243</u>
178,153	2,400,264	-	9,493,654
4,804,081	12,354,322	-	38,675,256
<u>3,579,059</u>	<u>5,156,069</u>	<u>1,971,485</u>	<u>33,521,839</u>
<u>8,561,293</u>	<u>19,910,655</u>	<u>1,971,485</u>	<u>81,690,749</u>
<u>\$ 8,754,742</u>	<u>\$ 19,936,334</u>	<u>\$ 1,971,800</u>	<u>\$ 82,474,992</u>

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
NONMAJOR CAPITAL PROJECTS FUNDS
For The Fiscal Year Ended June 30, 2011**

	North Macadam Urban Renewal Fund	South Park Blocks Urban Renewal Fund	Central Eastside Urban Renewal Fund
REVENUES			
Intergovernmental revenues	\$ -	\$ -	\$ -
Charges for services	390,141	160,166	126,271
Loan collections	28,319	39,995	84,185
Interest on investments	89,999	111,561	9,794
Miscellaneous	105,909	-	10,775
Tax-increment debt proceeds (in lieu of tax-increment revenue)	7,396,300	-	7,908,500
Total revenues	8,010,668	311,722	8,139,525
EXPENDITURES			
Current-			
Community development	5,210,646	4,359,935	2,898,457
Capital outlay	1,379,080	3,420,377	3,226,162
Financial assistance	6,231,356	3,962,207	814,970
Debt service-			
Interest	727,463	-	-
Total expenditures	13,548,545	11,742,519	6,939,589
Excess (deficiency) of revenues over (under) expenditures	(5,537,877)	(11,430,797)	1,199,936
Net change in fund balances	(5,537,877)	(11,430,797)	1,199,936
FUND BALANCES - July 1, 2010	19,394,699	29,750,583	17,870,772
FUND BALANCES - June 30, 2011	\$ 13,856,822	\$ 18,319,786	\$ 19,070,708

	Gateway Regional Urban Renewal Fund	Airport Way Urban Renewal Fund	Willamette Industrial Urban Renewal Fund	Total
\$	120,000	\$ -	\$ -	\$ 120,000
	1,622	7,848	-	686,048
	5,034	58,097	-	215,630
	19,048	36,696	7,139	274,237
	448,694	13,627	-	579,005
	<u>2,938,530</u>	<u>-</u>	<u>999,500</u>	<u>19,242,830</u>
	<u>3,532,928</u>	<u>116,268</u>	<u>1,006,639</u>	<u>21,117,750</u>
	1,307,183	607,874	235,759	14,619,854
	2,311,486	450,643	-	10,787,748
	150,225	1,425,608	-	12,584,366
	<u>-</u>	<u>-</u>	<u>-</u>	<u>727,463</u>
	<u>3,768,894</u>	<u>2,484,125</u>	<u>235,759</u>	<u>38,719,431</u>
	<u>(235,966)</u>	<u>(2,367,857)</u>	<u>770,880</u>	<u>(17,601,681)</u>
	(235,966)	(2,367,857)	770,880	(17,601,681)
	<u>8,797,259</u>	<u>22,278,512</u>	<u>1,200,605</u>	<u>99,292,430</u>
\$	<u><u>8,561,293</u></u>	<u><u>19,910,655</u></u>	<u><u>1,971,485</u></u>	<u><u>81,690,749</u></u>

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**DOWNTOWN WATERFRONT URBAN RENEWAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services:				
Application fees and charges	\$ -	\$ -	\$ 1,708	\$ 1,708
Rental income	2,250,700	700	175,250	174,550
Loan Collections:				
Principal	1,655,140	1,652,960	1,174,063	(478,897)
Interest	-	-	131,191	131,191
Interest on investments	75,000	75,000	101,885	26,885
Miscellaneous:				
Reimbursements	450,463	750,000	764,749	14,749
Sale of real property	-	2,234,000	2,229,099	(4,901)
Total revenues	<u>4,431,303</u>	<u>4,712,660</u>	<u>4,577,945</u>	<u>(134,715)</u>
EXPENDITURES				
Current:				
Business & industry	282,793	308,045	96,518	211,527
Revitalization	6,497,639	7,211,923	6,654,279	557,644
Infrastructure	800,000	1,078,191	819,370	258,821
Administration	23,000	27,789	8,545	19,244
Total Community development	<u>7,603,432</u>	<u>8,625,948</u>	<u>7,578,712</u>	<u>1,047,236</u>
Contingency	<u>6,752,963</u>	<u>11,728,210</u>	<u>-</u>	<u>11,728,210</u>
Total expenditures	<u>14,356,395</u>	<u>20,354,158</u>	<u>7,578,712</u>	<u>12,775,446</u>
Excess (deficiency) of revenues over expenditures	<u>(9,925,092)</u>	<u>(15,641,498)</u>	<u>(3,000,767)</u>	<u>12,640,731</u>
OTHER FINANCING USES				
Internal service reimbursements	<u>(1,377,538)</u>	<u>(1,377,538)</u>	<u>(1,249,910)</u>	<u>(127,628)</u>
Total other financing uses	<u>(1,377,538)</u>	<u>(1,377,538)</u>	<u>(1,249,910)</u>	<u>(127,628)</u>
Net change in fund balance	(11,302,630)	(17,019,036)	(4,250,677)	(12,768,359)
FUND BALANCE - July 1, 2010	<u>11,302,630</u>	<u>17,019,036</u>	<u>17,019,036</u>	<u>-</u>
FUND BALANCE - June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	12,768,359	<u>\$ (12,768,359)</u>
Adjustments to generally accepted accounting principles basis:				
Loans receivable, net			8,092,496	
Property held for sale			<u>7,830,536</u>	
FUND BALANCE - June 30, 2011 (GAAP BASIS)			<u>\$ 28,691,391</u>	

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**NORTH MACADAM URBAN RENEWAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services:				
Rental income	\$ 47,000	\$ 47,000	\$ 83,261	\$ 36,261
Contractual service charges	306,880	306,880	306,880	-
Loan Collections:				
Principal	77,329	77,329	89,823	12,494
Interest	51,553	51,553	28,319	(23,234)
Interest on investments	20,000	20,000	89,999	69,999
Miscellaneous:				
Reimbursements	-	-	5,909	5,909
Sale of real property	1,500,000	1,500,000	1,500,000	-
Other	-	-	100,000	100,000
Tax-increment debt proceeds (in lieu of tax-increment revenue)	15,052,106	9,939,811	7,396,300	(2,543,511)
Total revenues	17,054,868	11,942,573	9,600,491	(2,342,082)
EXPENDITURES				
Current:				
Community development:				
Housing	12,918,390	7,378,028	3,166,851	4,211,177
Business & industry	770,707	1,651,585	1,343,655	307,930
Revitalization	495,860	546,067	353,890	192,177
Infrastructure	2,264,205	1,817,717	433,095	1,384,622
Administration	47,000	51,787	21,215	30,572
Total Community development	16,496,162	11,445,184	5,318,706	6,126,478
Debt service:				
Bank fees	14,108	-	-	-
Principal	3,100,000	3,100,000	2,289,082	810,918
Interest	-	-	727,463	(727,463)
Total debt service	3,114,108	3,100,000	3,016,545	83,455
Contingency	40,527	3,980,048	-	3,980,048
Total expenditures	19,650,797	18,525,232	8,335,251	10,189,981
Excess (deficiency) of revenues over expenditures	(2,595,929)	(6,582,659)	1,265,240	7,847,899
OTHER FINANCING USES				
Internal service reimbursements	(1,429,897)	(1,429,897)	(1,321,021)	(108,876)
Total other financing uses	(1,429,897)	(1,429,897)	(1,321,021)	(108,876)
Net change in fund balance	(4,025,826)	(8,012,556)	(55,781)	(7,956,775)
FUND BALANCE - July 1, 2010	4,025,826	8,012,556	8,012,554	2
FUND BALANCE - June 30, 2011	\$ -	\$ -	7,956,773	\$ (7,956,773)
Adjustments to generally accepted accounting principles basis:				
Loans receivable, net			2,169,220	
Property held for sale			3,730,829	
FUND BALANCE - June 30, 2011 (GAAP BASIS)			\$ 13,856,822	

**PORTLAND DEVELOPMENT COMMISSION
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**RIVER DISTRICT URBAN RENEWAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services:				
Application fees and charges	\$ -	\$ -	\$ 3,093	\$ 3,093
Rental income	1,016,000	1,016,000	494,550	(521,450)
Loan Collections:				
Principal	137,971	137,971	1,069,711	931,740
Interest	318,770	318,770	81,824	(236,946)
Interest on investments	100,000	100,000	79,285	(20,715)
Miscellaneous:				
Reimbursements	125,000	125,000	73,563	(51,437)
Tax-increment debt proceeds (in lieu of tax-increment revenue)	<u>45,454,500</u>	<u>46,523,874</u>	<u>36,746,733</u>	<u>(9,777,141)</u>
Total revenues	<u>47,152,241</u>	<u>48,221,615</u>	<u>38,548,759</u>	<u>(9,672,856)</u>
EXPENDITURES				
Current:				
Community development:				
Housing	28,142,535	18,658,361	14,218,656	4,439,705
Business & industry	4,837,945	1,487,945	247,749	1,240,196
Revitalization	6,689,957	14,806,555	10,416,901	4,389,654
Infrastructure	11,799,855	13,104,896	10,815,021	2,289,875
Administration	200,000	220,000	72,142	147,858
Total Community development	<u>51,670,292</u>	<u>48,277,757</u>	<u>35,770,469</u>	<u>12,507,288</u>
Debt service:				
Principal	<u>650,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total debt service	<u>650,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contingency	<u>427,241</u>	<u>6,602,768</u>	<u>-</u>	<u>6,602,768</u>
Total expenditures	<u>52,747,533</u>	<u>54,880,525</u>	<u>35,770,469</u>	<u>19,110,056</u>
Excess (deficiency) of revenues over expenditures	<u>(5,595,292)</u>	<u>(6,658,910)</u>	<u>2,778,290</u>	<u>9,437,200</u>
OTHER FINANCING USES				
Internal service reimbursements	<u>(5,498,256)</u>	<u>(5,498,256)</u>	<u>(4,991,971)</u>	<u>(506,285)</u>
Total other financing uses	<u>(5,498,256)</u>	<u>(5,498,256)</u>	<u>(4,991,971)</u>	<u>(506,285)</u>
Net change in fund balance	(11,093,548)	(12,157,166)	(2,213,681)	(9,943,485)
FUND BALANCE - July 1, 2010	<u>11,093,548</u>	<u>12,157,166</u>	<u>12,157,166</u>	<u>-</u>
FUND BALANCE - June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>9,943,485</u>	<u>\$ (9,943,485)</u>
Adjustments to generally accepted accounting principles basis:				
Loans receivable, net			17,344,000	
Property held for sale			<u>17,210,600</u>	
FUND BALANCE - June 30, 2011 (GAAP BASIS)			<u>\$ 44,498,085</u>	

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**SOUTH PARK BLOCKS URBAN RENEWAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services:				
Rental income	\$ -	\$ -	\$ 160,166	\$ 160,166
Loan Collections:				
Principal	68,732	68,732	59,491	(9,241)
Interest	-	-	39,995	39,995
Interest on investments	70,000	70,000	111,561	41,561
Miscellaneous:				
Sale of real property	1,800,000	1,800,000	-	(1,800,000)
Total revenues	<u>1,938,732</u>	<u>1,938,732</u>	<u>371,213</u>	<u>(1,567,519)</u>
EXPENDITURES				
Current:				
Community development:				
Housing	1,039,111	3,964,298	2,790,811	1,173,487
Business & industry	7,641,553	7,942,983	859,814	7,083,169
Revitalization	438,649	1,185,766	1,172,555	13,211
Infrastructure	-	54,000	1,471	52,529
Administration	25,000	29,787	7,502	22,285
Total Community development	<u>9,144,313</u>	<u>13,176,834</u>	<u>4,832,153</u>	<u>8,344,681</u>
Contingency	3,147,239	5,746,285	-	5,746,285
Total expenditures	<u>12,291,552</u>	<u>18,923,119</u>	<u>4,832,153</u>	<u>14,090,966</u>
Excess (deficiency) of revenues over expenditures	<u>(10,352,820)</u>	<u>(16,984,387)</u>	<u>(4,460,940)</u>	<u>12,523,447</u>
OTHER FINANCING USES				
Internal service reimbursements	<u>(1,342,735)</u>	<u>(1,342,735)</u>	<u>(1,195,608)</u>	<u>(147,127)</u>
Total other financing uses	<u>(1,342,735)</u>	<u>(1,342,735)</u>	<u>(1,195,608)</u>	<u>(147,127)</u>
Net change in fund balance	(11,695,555)	(18,327,122)	(5,656,548)	(12,670,574)
FUND BALANCE - July 1, 2010	<u>11,695,555</u>	<u>18,327,122</u>	<u>18,327,122</u>	<u>-</u>
FUND BALANCE - June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	12,670,574	<u>\$ (12,670,574)</u>
Adjustments to generally accepted accounting principles basis:				
Loans receivable, net			1,842,589	
Property held for sale			<u>3,806,623</u>	
FUND BALANCE - June 30, 2011 (GAAP BASIS)			<u>\$ 18,319,786</u>	

**PORTLAND DEVELOPMENT COMMISSION
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**CONVENTION CENTER URBAN RENEWAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services:				
Application fees and charges	\$ -	\$ -	\$ 870	\$ 870
Rental income	208,000	208,000	70,176	(137,824)
Loan Collections:				
Principal	267,079	267,079	154,092	(112,987)
Interest	-	260,000	303,752	43,752
Interest on investments	75,000	75,000	19,311	(55,689)
Miscellaneous:				
Reimbursements	-	-	85,379	85,379
Tax-increment debt proceeds (in lieu of tax-increment revenue)	6,293,700	7,495,500	4,497,749	(2,997,751)
Total revenues	6,843,779	8,305,579	5,131,329	(3,174,250)
EXPENDITURES				
Current:				
Community development:				
Housing	3,320,427	5,146,238	3,460,535	1,685,703
Business & industry	662,367	682,367	313,695	368,672
Revitalization	1,124,427	2,119,427	1,457,217	662,210
Infrastructure	500,000	330,000	122,668	207,332
Administration	138,250	279,215	63,521	215,694
Total Community development	5,745,471	8,557,247	5,417,636	3,139,611
Contingency	100,000	1,638,487	-	1,638,487
Total expenditures	5,845,471	10,195,734	5,417,636	4,778,098
Excess (deficiency) of revenues over expenditures	998,308	(1,890,155)	(286,307)	1,603,848
OTHER FINANCING USES				
Internal service reimbursements	(1,164,340)	(1,164,340)	(1,070,958)	(93,382)
Total other financing uses	(1,164,340)	(1,164,340)	(1,070,958)	(93,382)
Net change in fund balance	(166,032)	(3,054,495)	(1,357,265)	(1,697,230)
FUND BALANCE - July 1, 2010	166,032	3,054,495	3,054,495	-
FUND BALANCE - June 30, 2011	\$ -	\$ -	1,697,230	\$ (1,697,230)
Adjustments to generally accepted accounting principles basis:				
Loans receivable, net			8,380,240	
Property held for sale			18,072,974	
FUND BALANCE - June 30, 2011 (GAAP BASIS)			\$ 28,150,444	

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**CENTRAL EASTSIDE URBAN RENEWAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services:				
Application fees and charges	\$ -	\$ -	\$ 2,467	\$ 2,467
Rental income	2,020,000	20,000	123,804	103,804
Loan Collections:				
Principal	39,724	39,724	113,032	73,308
Interest	26,483	26,483	84,185	57,702
Interest on investments	25,000	25,000	9,794	(15,206)
Miscellaneous:				
Recovery of bad loan debt	-	-	4,150	4,150
Reimbursements	-	-	6,625	6,625
Tax-increment debt proceeds (in lieu of tax-increment revenue)	9,780,444	9,780,444	7,908,500	(1,871,944)
Total revenues	11,891,651	9,891,651	8,252,557	(1,639,094)
EXPENDITURES				
Current:				
Community development:				
Housing	954,415	900,690	842,842	57,848
Business & industry	1,130,777	1,160,777	392,597	768,180
Revitalization	3,745,881	1,948,881	1,250,053	698,828
Infrastructure	4,326,759	4,346,759	3,257,517	1,089,242
Administration	68,000	83,957	10,733	73,224
Total Community development	10,225,832	8,441,064	5,753,742	2,687,322
Contingency	31,894	968,677	-	968,677
Total expenditures	10,257,726	9,409,741	5,753,742	3,655,999
Excess (deficiency) of revenues over expenditures	1,633,925	481,910	2,498,815	2,016,905
OTHER FINANCING USES				
Internal service reimbursements	(1,652,593)	(1,652,593)	(1,481,619)	(170,974)
Total other financing uses	(1,652,593)	(1,652,593)	(1,481,619)	(170,974)
Net change in fund balance	(18,668)	(1,170,683)	1,017,196	(2,187,879)
FUND BALANCE - July 1, 2010	18,668	1,170,683	1,170,683	-
FUND BALANCE - June 30, 2011	\$ -	\$ -	2,187,879	\$ (2,187,879)
Adjustments to generally accepted accounting principles basis:				
Loans receivable, net			2,903,428	
Property held for sale			13,979,401	
FUND BALANCE - June 30, 2011 (GAAP BASIS)			\$ 19,070,708	

PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

LENTS TOWN CENTER URBAN RENEWAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services:				
Application fees and charges	\$ -	\$ -	\$ 1,112	\$ 1,112
Rental income	-	-	89,304	89,304
Loan Collections:				
Principal	113,096	113,096	27,881	(85,215)
Interest	-	-	68,198	68,198
Interest on investments	14,000	60,000	104,449	44,449
Miscellaneous:				
Recovery of bad loan debt	-	315,850	315,850	-
Reimbursements	-	2,500	458	(2,042)
Sale of real property	2,500,000	-	-	-
Tax-increment debt proceeds (in lieu of tax-increment revenue)	6,805,205	7,432,699	6,446,775	(985,924)
Total revenues	9,432,301	7,924,145	7,054,027	(870,118)
EXPENDITURES				
Current:				
Community development:				
Housing	6,821,020	4,910,964	2,907,768	2,003,196
Business & industry	1,345,271	1,280,271	310,889	969,382
Revitalization	6,366,177	6,333,177	4,009,284	2,323,893
Infrastructure	4,015,000	1,586,000	685,676	900,324
Administration	10,000	10,000	8,211	1,789
Total Community development	18,557,468	14,120,412	7,921,828	6,198,584
Contingency	144,278	7,239,271	-	7,239,271
Total expenditures	18,701,746	21,359,683	7,921,828	13,437,855
Excess (deficiency) of revenues over expenditures	(9,269,445)	(13,435,538)	(867,801)	12,567,737
OTHER FINANCING USES				
Internal service reimbursements	(2,404,942)	(2,404,942)	(2,183,594)	(221,348)
Total other financing uses	(2,404,942)	(2,404,942)	(2,183,594)	(221,348)
Net change in fund balance	(11,674,387)	(15,840,480)	(3,051,395)	(12,789,085)
FUND BALANCE - July 1, 2010	11,674,387	15,840,480	15,840,480	-
FUND BALANCE - June 30, 2011	\$ -	\$ -	12,789,085	\$ (12,789,085)
Adjustments to generally accepted accounting principles basis:				
Loans receivable, net			1,928,715	
Property held for sale			9,705,021	
FUND BALANCE - June 30, 2011 (GAAP BASIS)			\$ 24,422,821	

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**INTERSTATE CORRIDOR URBAN RENEWAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services:				
Application fees and charges	\$ -	\$ -	2,928	\$ 2,928
Rental income	-	-	11,866	11,866
Loan Collections:				
Principal	1,391,951	1,391,951	120,214	(1,271,737)
Interest	-	-	120,921	120,921
Interest on investments	20,000	20,000	27,467	7,467
Miscellaneous:				
Reimbursements	-	-	3,214	3,214
Sale of real property	2,440,000	2,440,000	-	(2,440,000)
Tax-increment debt proceeds (in lieu of tax-increment revenue)	<u>27,182,955</u>	<u>31,950,445</u>	<u>18,353,098</u>	<u>(13,597,347)</u>
Total revenues	<u>31,034,906</u>	<u>35,802,396</u>	<u>18,639,708</u>	<u>(17,162,688)</u>
EXPENDITURES				
Current:				
Community development:				
Housing	12,782,343	5,271,148	2,967,802	2,303,346
Business & industry	2,573,743	2,623,743	383,162	2,240,581
Revitalization	7,397,802	13,590,849	13,291,232	299,617
Infrastructure	2,044,000	4,153,849	1,395,307	2,758,542
Administration	224,438	455,431	139,664	315,767
Total Community development	<u>25,022,326</u>	<u>26,095,020</u>	<u>18,177,167</u>	<u>7,917,853</u>
Contingency	<u>3,452,838</u>	<u>8,947,838</u>	<u>-</u>	<u>8,947,838</u>
Total expenditures	<u>28,475,164</u>	<u>35,042,858</u>	<u>18,177,167</u>	<u>16,865,691</u>
Excess (deficiency) of revenues over expenditures	<u>2,559,742</u>	<u>759,538</u>	<u>462,541</u>	<u>(296,997)</u>
OTHER FINANCING USES				
Internal service reimbursements	<u>(3,151,794)</u>	<u>(3,151,794)</u>	<u>(2,837,893)</u>	<u>(313,901)</u>
Total other financing uses	<u>(3,151,794)</u>	<u>(3,151,794)</u>	<u>(2,837,893)</u>	<u>(313,901)</u>
Net change in fund balance	(592,052)	(2,392,256)	(2,375,352)	(16,904)
FUND BALANCE - July 1, 2010	<u>592,052</u>	<u>2,392,256</u>	<u>2,392,257</u>	<u>(1)</u>
FUND BALANCE - June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>16,905</u>	<u>\$ (16,905)</u>
Adjustments to generally accepted accounting principles basis:				
Loans receivable, net			5,124,329	
Property held for sale			<u>4,304,464</u>	
FUND BALANCE - June 30, 2011 (GAAP BASIS)			<u>\$ 9,445,698</u>	

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**GATEWAY REGIONAL CENTER URBAN RENEWAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenue:				
State and local	\$ 208,500	\$ 230,000	\$ -	\$ (230,000)
City of Portland, General Fund	-	-	120,000	120,000
Charges for services:				
Application fees and charges	-	-	194	194
Rental income	-	-	1,428	1,428
Loan Collections:				
Principal	-	-	4,370	4,370
Interest	18,402	18,402	5,034	(13,368)
Interest on investments	1,000	7,000	19,048	12,048
Miscellaneous:				
Reimbursements	-	280,000	428,945	148,945
Tax-increment debt proceeds (in lieu of tax-increment revenue)	4,151,858	3,167,203	2,938,530	(228,673)
Total revenues	<u>4,379,760</u>	<u>3,702,605</u>	<u>3,517,549</u>	<u>(185,056)</u>
EXPENDITURES				
Current:				
Community development:				
Housing	1,011,826	158,445	93,168	65,277
Business & industry	335,888	361,888	145,335	216,553
Revitalization	3,690,491	1,390,491	461,435	929,056
Infrastructure	618,000	818,000	697,075	120,925
Administration	10,000	10,000	4,939	5,061
Total Community development	<u>5,666,205</u>	<u>2,738,824</u>	<u>1,401,952</u>	<u>1,336,872</u>
Contingency	132,020	2,324,032	-	2,324,032
Total expenditures	<u>5,798,225</u>	<u>5,062,856</u>	<u>1,401,952</u>	<u>3,660,904</u>
Excess (deficiency) of revenues over expenditures	<u>(1,418,465)</u>	<u>(1,360,251)</u>	<u>2,115,597</u>	<u>3,475,848</u>
OTHER FINANCING USES				
Internal service reimbursements	<u>(934,511)</u>	<u>(934,511)</u>	<u>(831,299)</u>	<u>(103,212)</u>
Total other financing uses	<u>(934,511)</u>	<u>(934,511)</u>	<u>(831,299)</u>	<u>(103,212)</u>
Net change in fund balance	(2,352,976)	(2,294,762)	1,284,298	(3,579,060)
FUND BALANCE - July 1, 2010	<u>2,352,976</u>	<u>2,294,762</u>	<u>2,294,761</u>	<u>1</u>
FUND BALANCE - June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>3,579,059</u>	<u>\$ (3,579,059)</u>
Adjustments to generally accepted accounting principles basis:				
Loans receivable, net			178,153	
Property held for sale			4,804,081	
FUND BALANCE - June 30, 2011 (GAAP BASIS)			<u>\$ 8,561,293</u>	

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**AIRPORT WAY URBAN RENEWAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services:				
Application fees and charges	\$ -	\$ -	\$ 110	\$ 110
Rental income	-	5,000	7,738	2,738
Loan Collections:				
Principal	-	160,000	174,460	14,460
Interest	87,627	87,627	58,097	(29,530)
Interest on investments	18,000	25,000	36,696	11,696
Miscellaneous:				
Reimbursements	5,000	15,000	13,627	(1,373)
Sale of real property	1,000,000	3,020,000	3,019,857	(143)
Total revenues	<u>1,110,627</u>	<u>3,312,627</u>	<u>3,310,585</u>	<u>(2,042)</u>
EXPENDITURES				
Current:				
Community development:				
Business & industry	1,526,417	2,624,417	742,700	1,881,717
Revitalization	257,548	2,849,548	2,699,760	149,788
Administration	3,308	3,308	3,081	227
Total Community development	<u>1,787,273</u>	<u>5,477,273</u>	<u>3,445,541</u>	<u>2,031,732</u>
Contingency	<u>3,814,666</u>	<u>3,086,395</u>	<u>-</u>	<u>3,086,395</u>
Total expenditures	<u>5,601,939</u>	<u>8,563,668</u>	<u>3,445,541</u>	<u>5,118,127</u>
Excess (deficiency) of revenues over expenditures	<u>(4,491,312)</u>	<u>(5,251,041)</u>	<u>(134,956)</u>	<u>5,116,085</u>
OTHER FINANCING USES				
Internal service reimbursements	<u>(412,538)</u>	<u>(412,528)</u>	<u>(372,544)</u>	<u>(39,984)</u>
Total other financing uses	<u>(412,538)</u>	<u>(412,528)</u>	<u>(372,544)</u>	<u>(39,984)</u>
Net change in fund balance	(4,903,850)	(5,663,569)	(507,500)	(5,156,069)
FUND BALANCE - July 1, 2010	<u>4,903,850</u>	<u>5,663,569</u>	<u>5,663,569</u>	<u>-</u>
FUND BALANCE - June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>5,156,069</u>	<u>\$ (5,156,069)</u>
Adjustments to generally accepted accounting principles basis:				
Loans receivable, net			2,400,264	
Property held for sale			<u>12,354,322</u>	
FUND BALANCE - June 30, 2011 (GAAP BASIS)			<u>\$ 19,910,655</u>	

**PORTLAND DEVELOPMENT COMMISSION
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**WILLAMETTE INDUSTRIAL URBAN RENEWAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest on investments	\$ 2,000	\$ 7,000	\$ 7,139	\$ 139
Tax-increment debt proceeds (in lieu of tax-increment revenue)	<u>847,711</u>	<u>847,711</u>	<u>999,500</u>	<u>151,789</u>
Total revenues	<u>849,711</u>	<u>854,711</u>	<u>1,006,639</u>	<u>151,928</u>
EXPENDITURES				
Current:				
Community development:				
Business & industry	275,000	295,000	11,705	283,295
Revitalization	535,431	520,431	34,329	486,102
Administration	<u>5,187</u>	<u>5,187</u>	<u>1,115</u>	<u>4,072</u>
Total Community development	<u>815,618</u>	<u>820,618</u>	<u>47,149</u>	<u>773,469</u>
Contingency	<u>386,129</u>	<u>1,014,167</u>	<u>-</u>	<u>1,014,167</u>
Total expenditures	<u>1,201,747</u>	<u>1,834,785</u>	<u>47,149</u>	<u>1,787,636</u>
Excess (deficiency) of revenues over expenditures	<u>(352,036)</u>	<u>(980,074)</u>	<u>959,490</u>	<u>1,939,564</u>
OTHER FINANCING USES				
Internal service reimbursements	<u>(220,531)</u>	<u>(220,531)</u>	<u>(188,610)</u>	<u>(31,921)</u>
Total other financing uses	<u>(220,531)</u>	<u>(220,531)</u>	<u>(188,610)</u>	<u>(31,921)</u>
Net change in fund balance	(572,567)	(1,200,605)	770,880	(1,971,485)
FUND BALANCE - July 1, 2010	<u>572,567</u>	<u>1,200,605</u>	<u>1,200,605</u>	<u>-</u>
FUND BALANCE - June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,971,485</u>	<u>\$ (1,971,485)</u>

PROPRIETARY FUNDS

ENTERPRISE FUNDS

Enterprise funds are used to report an activity for which a fee is charged to external users for goods or services.

PDC has two Enterprise type funds.

Enterprise Loans Fund - this fund accounts for the various loan programs which are not required to be accounted for in another fund.

PLPA Bank of America Fund
Housing Investment Fund
Program Reserve Fund
Rental Rehabilitation Reloan Fund
Neighborhood Housing Loan Fund
Business Development Loan Fund
Small Business Loan Fund
Workforce Training/Hiring Fund
Portland Startup Fund

Combining Schedules are presented by loan program. These include a Combining Schedule of Net Assets and a Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets.

Enterprise Management Fund - provides for the activity related to the operations and management of PDC properties or City of Portland properties PDC has contracted to manage outside of Urban Renewal Areas. Currently, this fund includes the operating revenues and expenses of the Headwaters Apartments.

INTERNAL SERVICE FUND

Internal service funds are used to report any activity that provides services to other funds on a cost reimbursement basis.

Risk Management Fund – this fund was established to set aside resources that would be used to meet insurance policy deductibles, if necessary.

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**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**ENTERPRISE LOANS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS)
For The Fiscal Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Actual GAAP to Actual Budgetary Adjustments</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>				
REVENUES						
Intergovernmental revenue:						
City of Portland, General Fund	\$ 200,000	\$ 200,000	\$ 200,000	\$ -	\$ 200,000	\$ -
Charges for services-						
Application fees and charges	-	12,753	27,930	-	27,930	15,177
Loan Collections:						
Principal	237,600	572,000	-	660,373	660,373	88,373
Interest	158,400	88,000	131,022	-	131,022	43,022
Interest on investments	-	6,427	11,955	-	11,955	5,528
Miscellaneous:						
Recovery of bad loan debt	-	-	25,720	-	25,720	25,720
Reimbursements	-	-	6,976	-	6,976	6,976
Other	-	-	935,022	(935,022)	-	-
Total revenues	596,000	879,180	1,338,625	(274,649)	1,063,976	184,796
EXPENDITURES						
Current:						
Community development:						
Housing	2,280,000	2,764,849	9,045,663	(6,499,432)	2,546,231	218,618
Business and industry	1,194,690	1,395,690	1,205,075	(313,177)	891,898	503,792
Administration	102,186	102,030	371,050	(329,649)	41,401	60,629
Total community development	<u>3,576,876</u>	<u>4,262,569</u>	<u>10,621,788</u>	<u>(7,142,258)</u>	<u>3,479,530</u>	<u>783,039</u>
Contingency	21,244	378,504	-	-	-	378,504
Total expenditures	3,598,120	4,641,073	10,621,788	(7,142,258)	3,479,530	1,161,543
Excess (deficiency) of revenues over expenditures	<u>(3,002,120)</u>	<u>(3,761,893)</u>	<u>(9,283,163)</u>	<u>6,867,609</u>	<u>(2,415,554)</u>	<u>1,346,339</u>
Transfers in:						
General Fund	-	-	(25,720)	25,720	-	-
Housing and Community Development Contract Fund	-	1,225,000	-	1,225,000	1,225,000	-
Other Federal Grants Fund	-	-	25,720	(25,720)	-	-
Total transfers in	<u>-</u>	<u>1,225,000</u>	<u>-</u>	<u>1,225,000</u>	<u>1,225,000</u>	<u>-</u>
Internal service reimbursements	(122,186)	(122,186)	-	(122,186)	(122,186)	-
Transfers out:						
General Fund	-	(50,000)	(50,000)	-	(50,000)	-
Housing and Community Development Contract Fund	-	-	-	(700,000)	(700,000)	(700,000)
Total transfers out	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>(700,000)</u>	<u>(750,000)</u>	<u>(700,000)</u>
Total transfers	(122,186)	1,052,814	(50,000)	402,814	352,814	(700,000)
Net change in fund balance	(3,124,306)	(2,709,079)	(9,333,163)	7,270,423	(2,062,740)	646,339
FUND EQUITY - July 1, 2010	3,124,306	2,709,079	12,656,684	(9,947,604)	2,709,080	1
FUND EQUITY - June 30, 2011	\$ -	\$ -	\$ 3,323,521	\$ (2,677,181)	\$ 646,340	\$ 646,340

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**COMBINING SCHEDULE OF NET ASSETS
FOR COMPONENTS OF THE ENTERPRISE LOANS FUND
June 30, 2011**

	<u>PLPA Bank of America Fund</u>	<u>Housing Investment Fund</u>	<u>Program Reserve Fund</u>	<u>Rental Rehabilitation Reloan Fund</u>	<u>Neighborhood Housing Loan Fund</u>
ASSETS					
Current assets:					
Cash with City of Portland investment pool	\$ 3,252	\$ 5,102	\$ 5,036	\$ 518	\$ 1,791
Receivables:					
Due from other funds	-	-	-	-	-
Loans, net	-	-	-	-	-
Interest	<u>285</u>	<u>215</u>	<u>373</u>	<u>60</u>	<u>190</u>
Total current assets	3,537	5,317	5,409	578	1,981
Noncurrent assets:					
Restricted cash-					
City of Portland investment pool	-	-	-	-	200,000
Loans receivable, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	-	-	-	-	200,000
Total assets	<u>3,537</u>	<u>5,317</u>	<u>5,409</u>	<u>578</u>	<u>201,981</u>
LIABILITIES AND NET ASSETS					
Liabilities:					
Current liabilities:					
Accounts payable	-	-	-	-	770
Accrued liability	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,094</u>
Total current liabilities	-	-	-	-	7,864
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,864</u>
Net Assets-					
Unrestricted	<u>\$ 3,537</u>	<u>\$ 5,317</u>	<u>\$ 5,409</u>	<u>\$ 578</u>	<u>\$ 194,117</u>

<u>Business Development Loan Fund</u>	<u>Small Business Loan Fund</u>	<u>Workforce Training/Hiring Fund</u>	<u>Portland Startup Fund</u>	<u>Total Enterprise Loans Fund</u>
\$ 249,173	\$ 43,444	\$ 57,052	\$ 60,608	\$ 425,976
425,720	300,000	-	-	725,720
441,945	218,428	-	-	660,373
<u>1,126</u>	<u>469</u>	<u>237</u>	<u>812</u>	<u>3,767</u>
1,117,964	562,341	57,289	61,420	1,815,836
-	-	-	-	200,000
<u>492,652</u>	<u>825,769</u>	<u>-</u>	<u>-</u>	<u>1,318,421</u>
<u>492,652</u>	<u>825,769</u>	<u>-</u>	<u>-</u>	<u>1,518,421</u>
<u>1,610,616</u>	<u>1,388,110</u>	<u>57,289</u>	<u>61,420</u>	<u>3,334,257</u>
2,872	-	-	-	3,642
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,094</u>
2,872	-	-	-	10,736
<u>2,872</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,736</u>
<u>\$ 1,607,744</u>	<u>\$ 1,388,110</u>	<u>\$ 57,289</u>	<u>\$ 61,420</u>	<u>\$ 3,323,521</u>

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR COMPONENTS OF THE ENTERPRISE LOANS FUND
For the Fiscal Year Ended June 30, 2011**

	<u>PLPA Bank of America Fund</u>	<u>Housing Investment Fund</u>	<u>Program Reserve Fund</u>	<u>Rental Rehabilitation Reloan Fund</u>	<u>Neighborhood Housing Loan Fund</u>
OPERATING REVENUES:					
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ 24,546
Interest on loans	-	-	-	-	-
Miscellaneous revenues	569,734	-	-	-	92
Intergovernmental revenues	-	-	-	-	-
Total operating revenues	<u>569,734</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,638</u>
OPERATING EXPENSES:					
Personal services	-	-	33	-	-
Professional services	-	-	56,191	-	-
Loan document costs	-	-	5,449	-	19,141
Financial assistance	-	5,727,012	-	772,420	-
Miscellaneous expenses	<u>772,245</u>	<u>578,279</u>	<u>1,235,511</u>	<u>166,793</u>	<u>83,640</u>
Total operating expenses	<u>772,245</u>	<u>6,305,291</u>	<u>1,297,184</u>	<u>939,213</u>	<u>102,781</u>
Operating income (loss)	<u>(202,511)</u>	<u>(6,305,291)</u>	<u>(1,297,184)</u>	<u>(939,213)</u>	<u>(78,143)</u>
NON-OPERATING REVENUES (EXPENSE):					
Interest on investment	<u>2,267</u>	<u>1,601</u>	<u>2,417</u>	<u>412</u>	<u>793</u>
Total non-operating revenues (expense)	<u>2,267</u>	<u>1,601</u>	<u>2,417</u>	<u>412</u>	<u>793</u>
Income (loss) before transfers	<u>(200,244)</u>	<u>(6,303,690)</u>	<u>(1,294,767)</u>	<u>(938,801)</u>	<u>(77,350)</u>
TRANSFERS					
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	<u>(200,244)</u>	<u>(6,303,690)</u>	<u>(1,294,767)</u>	<u>(938,801)</u>	<u>(77,350)</u>
NET ASSETS - July 1, 2010	<u>203,781</u>	<u>6,309,007</u>	<u>1,300,176</u>	<u>939,379</u>	<u>271,467</u>
NET ASSETS - June 30, 2011	<u>\$ 3,537</u>	<u>\$ 5,317</u>	<u>\$ 5,409</u>	<u>\$ 578</u>	<u>\$ 194,117</u>

Business Development Loan Fund	Small Business Loan Fund	Workforce Training/Hiring Fund	Portland Startup Fund	Total Enterprise Loans Fund
\$ 1,699	\$ 1,685	\$ -	\$ -	\$ 27,930
99,926	31,096	-	-	131,022
338,249	59,643	-	-	967,718
-	-	-	200,000	200,000
<u>439,874</u>	<u>92,424</u>	<u>-</u>	<u>200,000</u>	<u>1,326,670</u>
78,650	46,533	-	-	125,216
20,404	-	-	-	76,595
3,064	-	-	-	27,654
209,194	306,240	-	540,000	7,554,866
990	1	-	-	2,837,459
<u>312,302</u>	<u>352,774</u>	<u>-</u>	<u>540,000</u>	<u>10,621,790</u>
<u>127,572</u>	<u>(260,350)</u>	<u>-</u>	<u>(340,000)</u>	<u>(9,295,120)</u>
<u>1,697</u>	<u>966</u>	<u>384</u>	<u>1,420</u>	<u>11,957</u>
<u>1,697</u>	<u>966</u>	<u>384</u>	<u>1,420</u>	<u>11,957</u>
<u>129,269</u>	<u>(259,384)</u>	<u>384</u>	<u>(338,580)</u>	<u>(9,283,163)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>
129,269	(259,384)	384	(388,580)	(9,333,163)
<u>1,478,475</u>	<u>1,647,494</u>	<u>56,905</u>	<u>450,000</u>	<u>12,656,684</u>
<u>\$ 1,607,744</u>	<u>\$ 1,388,110</u>	<u>\$ 57,289</u>	<u>\$ 61,420</u>	<u>\$ 3,323,521</u>

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**ENTERPRISE MANAGEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS)
For The Fiscal Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services-				
Rental income	\$ 1,237,732	\$ 1,237,732	\$ 932,367	\$ (305,365)
Interest on investments	-	-	2,400	2,400
Total revenues	<u>1,237,732</u>	<u>1,237,732</u>	<u>934,767</u>	<u>(302,965)</u>
EXPENDITURES				
Current:				
Community development:				
Housing	1,237,732	1,363,909	985,672	378,237
Total community development	<u>1,237,732</u>	<u>1,363,909</u>	<u>985,672</u>	<u>378,237</u>
Total expenditures	<u>1,237,732</u>	<u>1,363,909</u>	<u>985,672</u>	<u>378,237</u>
Excess (deficiency) of revenues over expenditures	-	(126,177)	(50,905)	75,272
Net change in fund balance	-	(126,177)	(50,905)	75,272
FUND EQUITY - July 1, 2010	-	126,177	126,177	-
FUND EQUITY - June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,272</u>	<u>\$ 75,272</u>

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**RISK MANAGEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS)
For The Fiscal Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest on investments	\$ -	\$ -	\$ 1,673	\$ 1,673
Total revenues	<u>-</u>	<u>-</u>	<u>1,673</u>	<u>1,673</u>
EXPENDITURES				
Current:				
Administration	353,870	249,700	3,108	246,592
Total community development	<u>353,870</u>	<u>249,700</u>	<u>3,108</u>	<u>246,592</u>
Total expenditures	<u>353,870</u>	<u>249,700</u>	<u>3,108</u>	<u>246,592</u>
Excess (deficiency) of revenues over expenditures	<u>(353,870)</u>	<u>(249,700)</u>	<u>(1,435)</u>	<u>248,265</u>
Net change in fund balance	(353,870)	(249,700)	(1,435)	248,265
FUND BALANCE - July 1, 2010	<u>353,870</u>	<u>249,700</u>	<u>249,700</u>	<u>-</u>
FUND BALANCE - June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 248,265</u>	<u>\$ 248,265</u>

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND**

For the Fiscal Year Ended June 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>		<u>Additions</u>		<u>Deductions</u>		<u>Balance</u> <u>June 30, 2011</u>
Assets:							
Cash with City of Portland investment pool	\$ 62,312	\$	86,553	\$	148,848	\$	17
Interest receivable	<u>162</u>		<u>2,164</u>		<u>2,318</u>		<u>8</u>
Total assets	<u>\$ 62,474</u>	\$	<u>88,717</u>	\$	<u>151,166</u>	\$	<u>25</u>
Liabilities -							
Accounts payable	<u>\$ 62,476</u>	\$	<u>86,830</u>	\$	<u>149,281</u>	\$	<u>25</u>

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

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
June 30, 2011**

Governmental funds capital assets:		
Land	\$	6,101,427
Buildings and improvements		2,707,441
Leasehold improvements		3,849,501
Work in progress		854,362
Vehicles, and equipment		2,151,111
Intangible software		930,394
Accumulated depreciation		<u>(6,991,546)</u>
Total governmental funds capital assets	\$	<u>9,602,690</u>
Investment in governmental funds capital assets by source:		
General Fund	\$	3,942,380
Capital Projects Funds		12,651,856
Accumulated depreciation		<u>(6,991,546)</u>
Total governmental funds capital assets	\$	<u>9,602,690</u>

This schedule presents only the capital asset balances related to governmental funds.

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
June 30, 2011**

Function and Activity	Land	Buildings and Improvements	Leasehold Improvements	Vehicles and Equipment	Software	Work in Progress	Total
Community development							
Revitalization	\$ 6,101,427	\$ 2,707,441	\$ -	\$ -	\$ -	\$ -	\$ 8,808,868
Administration	-	-	3,849,501	2,151,111	930,394	854,362	7,785,368
Total Community development	6,101,427	2,707,441	3,849,501	2,151,111	930,394	854,362	16,594,236
Less: Accumulated depreciation	-	(1,245,419)	(3,849,324)	(1,896,803)	-	-	(6,991,546)
Total governmental funds capital assets	\$ 6,101,427	\$ 1,462,022	\$ 177	\$ 254,308	\$ 930,394	\$ 854,362	\$ 9,602,690

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
For the Fiscal Year Ended June 30, 2011**

<u>Program</u>	<u>Governmental Funds Capital Assets July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Governmental Funds Capital Assets June 30, 2011</u>
Community development:				
Revitalization	\$ 8,991,699	\$ -	\$ (182,833)	\$ 8,808,866
Adminstration	<u>7,187,714</u>	<u>710,967</u>	<u>(113,311)</u>	<u>7,785,370</u>
Total Community development	16,179,413	710,967	(296,144)	16,594,236
Less: Accumulated depreciation	<u>(6,184,323)</u>	<u>(890,073)</u>	<u>82,850</u>	<u>(6,991,546)</u>
Total governmental funds capital assets	\$ <u>9,995,090</u>	\$ <u>(179,106)</u>	\$ <u>(213,294)</u>	\$ <u>9,602,690</u>

This schedule presents only the capital asset balances related to governmental funds.

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**SCHEDULE OF ACTIVITY OF REAL PROPERTY
HELD BY THE COMMISSION**

For The Fiscal Year Ended June 30, 2011

Funding Source	Balance July 1, 2010	Additions	Sales/ Adjustment	Balance June 30, 2011
General Fund (Urban Redevelopment Fund):				
* 9330 SE Harold St-Boys & Girls Club-LTC	\$ 46,754	\$ -	\$ -	\$ 46,754
* Woodstock & Foster Rd-Dagel Site-LTC	100,000	-	-	100,000
South Auditorium Park Block C	2	-	-	2
Block J-1720 SW Front	2	-	(2)	-
Upshur- Willamette Heights Lot 7 & 8	6,501	-	-	6,501
Block 103-SW Montgomery Street	1	-	-	1
Block 101-1510 SW Harbor Way	1	-	-	1
Block 111-Market/Clay/Front	1	-	-	1
Tom McCall Waterfront Park	7	-	-	7
Total	153,269	-	(2)	153,267
Housing and Community Development Fund:				
2600 N Williams Ave-Quad Site	182,833	-	(182,833)	-
* 5815 SE 92nd-Lents Plaza Mcgalliard Site	251,456	-	-	251,456
Total	434,289	-	(182,833)	251,456
Other Federal Grants Fund:				
* 6931 NE MLK JR Blvd	-	416,430	-	416,430
Total	-	416,430	-	416,430
Downtown Waterfront Urban Renewal Fund:				
Union Station Parcels	8,795,942	3	-	8,795,945
* 820-838 SW 3rd Ave-Cossette Site	1,761,290	-	-	1,761,290
* NW Naito Parkway	3,000	-	-	3,000
* 209 SW Oak St-Abandoned Jail	1,730,179	-	-	1,730,179
* 88 NW Couch St-Block 8	2,222,946	96,591	(2,319,537)	-
* NW Davis BLK 8	4,408,907	-	(1,908,906)	2,500,001
* 411 NW Flanders Unit 100	-	1,303,566	-	1,303,566
* 411 NW Flanders Prk (20 units)	-	532,500	-	532,500
Total	18,922,264	1,932,660	(4,228,443)	16,626,481
North Macadam Urban Renewal Fund:				
* South Waterfront Development Sites	3,730,825	4	-	3,730,829
* Old Spaghetti Factory-Blk 49	5,232,633	-	(5,232,633)	-
Total	8,963,458	4	(5,232,633)	3,730,829
River District Urban Renewal Fund:				
* 1362 NW Naito Prkwy-Centennial Mill	7,689,813	-	(5,039,813)	2,650,000
* 421-438 NW 3rd Ave-Dirty Duck Site	526,842	17,929	(544,771)	-
* Broadway Hoyt/Glisan/6th-Block R	72,283	-	-	72,283
* 800 NW 6th Ave Parking Site-Block Y	487,039	-	-	487,039
* Broadway/Hoyt/Irving/6th-Block U	363,639	-	(363,639)	-
* 1103-1121 SW Stark St-Fairfield Hotel	1,475,000	-	(1,475,000)	-
* NW Naito Parkway	190,436	3,080	-	193,516
* Union Station Parcels-Old Fire Station & Lot E	1,221,011	3,817	(964,608)	260,220
* Station Place Garage	9,277,726	-	-	9,277,726
* NW 9th Avenue Parcel	1	-	(1)	-
* 9th & Lovejoy-Station Place	1,053,464	-	-	1,053,464
* 401-439 West Burnside St-Grove Hotel	1,100,000	-	-	1,100,000
** WIP Postal Site	2,116,349	-	-	2,116,349
Total	25,573,603	24,826	(8,387,832)	17,210,597
South Park Blocks Urban Renewal Fund:				
* 1101-1139 SW Jefferson St-Jefferson West Apts	2,918,743	-	(2,918,743)	-
* 5th & SW Montgomery St-PSU Carpool Lot	2,700,000	-	-	2,700,000
* 401 SW Harrison St-Jasmine Tree	1,106,623	-	-	1,106,623
Total	6,725,366	-	(2,918,743)	3,806,623
Convention Center Urban Renewal Fund:				
* 5001 NE MLK Blvd-Living Color Site	815,321	-	-	815,321
* 831-834 NE MLK Blvd-Sizzler Site	2,642,946	136,242	-	2,779,188
* 5125-5131 NE MLK Blvd-Wirf Sites	933,183	-	-	933,183
* 1st/Multnomah /2nd/Holladay Sts-Block 4E	1,747,754	-	-	1,747,754
* NE Hol/MLK Blvd-Christie-Block 47	455,843	-	-	455,843
* 5029 NW MLK Blvd-Walnut Park Theater	362,582	-	-	362,582
* 6431-6435 NE MLK Blvd-Eagle Summit Site	635,740	-	(635,740)	-
* 420 Holladay St-Inn @ Convention Center	5,493,803	-	-	5,493,803
* NE Grand Ave-Block 45 Cascadian Lots	1,424,731	-	(1,424,731)	-
* 84 NE Weidler St-B & K Site	876,128	-	-	876,128
* 1306 NE 2nd Ave-King Crusher Site	383,920	-	(383,920)	-
* 6445 NE MLK Blvd-Ashbrook Bakery Site	116,920	-	(116,920)	-
* 3368 NE MLK Blvd-Grant Site	345,060	-	(345,060)	-
* 910 NE MLK-Menashe Site	4,547,284	-	-	4,547,284
* 427 NE Cook-McCann Site	290,000	-	(290,000)	-
* NE Cook/MLK-Lenske Site	176,162	-	(176,162)	-
* 3620 NE MLK Blvd-Parking Lot	61,888	-	-	61,888
Total	21,309,265	136,242	(3,372,533)	18,072,974

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**SCHEDULE OF ACTIVITY OF REAL PROPERTY
HELD BY THE COMMISSION**

For The Fiscal Year Ended June 30, 2011

Funding Source	Balance July 1, 2010	Additions	Sales/ Adjustment	Balance June 30, 2011
Central Eastside Urban Renewal Fund:				
* 318 NE Couch St-Fischels Site	534,525	-	-	534,525
* 313 E Burnside St-Recovery Inn-Block 7c	566,422	-	-	566,422
* 1401 SE Water Ave-OMSI Crescent Site	450,000	-	-	450,000
* 240 NE MLK Blvd	152,397	-	-	152,397
* 5-13 NE 3rd Ave-Block 67	312,728	-	-	312,728
* 11 NE MLK Blvd-Unocal Site	574,950	49,560	(49,560)	574,950
* 111 NE MLK Blvd-Block 75	1,302,599	-	-	1,302,599
* 123 NE 3rd Ave-Convention Center Plaza	10,085,780	-	-	10,085,780
Total	13,979,401	49,560	(49,560)	13,979,401
Lents Town Center Urban Renewal Fund:				
* 5728 SE 91st & 5808 SE 91st-Rssn Ch & Hse	687,398	-	(350,398)	337,000
* 9117-9123 SE Foster Rd	116,300	-	-	116,300
* 9330 SE Harold St-Boys and Girls Club	1,177,835	63,910	-	1,241,745
* 9316 SE Woodstock Blvd-Glendville	123,278	-	-	123,278
* 6116 SE 93rd-Davis Property	103,975	-	-	103,975
* 5916 SE 91st Ave	770,267	-	-	770,267
* 5933 SE 92nd Ave Lot #3-#5	1,076,019	-	-	1,076,019
* 9231 SE Foster Rd	1,278,977	-	-	1,278,977
* 6936 SE 91st Ave	180,874	-	(180,874)	-
* 8732 SE Rural Street	185,901	-	-	(185,901)
* 6801 SE 86th Avenue	205,934	-	(205,934)	-
* 10105 SE Pardee	180,884	-	-	(180,884)
* 6719 SE 86th Avenue	185,896	-	(185,896)	-
* 6317 SE 89th Avenue	180,879	-	-	(180,879)
* 8730 SE Rural Street	185,882	-	-	(185,882)
* 6109 SE 90th Avenue	185,882	-	-	(185,882)
* 8037 SE Duke Street	200,916	-	-	(200,916)
* 6111 SE 86th Avenue	180,874	-	-	(180,874)
* 6325 SE 86th Avenue	180,874	-	-	(180,874)
* 5716 SE 92nd Avenue	2,151,149	-	-	2,151,149
* 8801 SE Foster Rd	409,797	62,411	(73,061)	399,147
* 9320 SE Ramona St	284,316	1,562	(32,622)	253,256
* SE Foster Rd Lents Town Center II	-	372,966	-	372,966
* 7104-7120, 7126-7130, 7238 SE Foster Rd	-	1,380,111	-	1,380,111
* SE Reedway St	-	100,830	-	100,830
Total	10,234,107	1,981,790	(2,510,877)	9,705,020
Interstate Corridor Urban Renewal Fund:				
* Marco Bldg	260,000	-	-	260,000
* 4500 N Albina	6,410	-	-	6,410
* 5116 NE Garfield St-Reiss Site	304,110	-	-	304,110
* 9020 N Chautauqua Ave	257,452	-	(257,452)	-
* 8920 N Drummond Ave	181,290	-	-	(181,290)
* 8606 N Curtis Ave	190,809	-	-	(190,809)
* 3325 N Halleck St	190,809	-	-	(190,809)
* 3220 N Hunt St	190,809	-	-	(190,809)
* 3107 N Houghton	190,895	-	-	(190,895)
* 3702 N Arlington Place	200,416	-	-	(200,416)
* 3101 N Arington Place	181,375	-	-	(181,375)
* 3309 N Halleck Street	181,375	-	-	(181,375)
* Killingsworth Station	1,250,377	-	-	(1,250,377)
* 8411 N Denver Ave	-	1,034,719	-	1,034,719
* 8419 N Denver Ave	-	245,314	-	245,314
* 2221 N Argyle St	-	1,031,795	-	1,031,795
* 2221 N Argyle St	-	1,428,526	-	1,428,526
Total	3,586,127	3,740,354	(3,015,607)	4,310,874
Gateway Regional Center Urban Renewal Fund:				
* 10225 NE Burnside St-Childrens Receiving Ctr	683,828	110,307	-	794,135
* 9707 NE Multnomah Blvd-Gateway Transit Ctr	848,094	-	-	848,094
* 10520 NE Halsey St.	1,152,992	-	(181)	1,152,811
* 10506-10512 NE Halsey St.	1,716,578	292,463	-	2,009,041
* 9992, 9999 NE Glisan / 618 NE 99th Ave	1,912,639	-	(1,912,639)	-
Total	6,314,131	402,770	(1,912,820)	4,804,081
Airport Way Urban Renewal Fund:				
* Holman St Site	5,000	-	-	5,000
* NE 185th Riverside Parkway-Spada	1,563,627	-	-	1,563,627
* 12824 NE Airport Way-Danner South	192,850	-	-	192,850
* 13328 NE Airport Way-Damonte	140,500	-	-	140,500
* Cascade Station Lease Rights	13,804,134	(143,182)	(3,208,607)	10,452,345
Total	15,706,111	(143,182)	(3,208,607)	12,354,322
Total all funds	131,901,391	\$ 8,541,454	\$ (35,020,490)	105,422,355
Add:				
Vehicles and equipment	2,243,828			2,151,111
Leasehold improvements	3,849,501			3,849,501
Software	1,027,185			930,394
** WIP software	-			854,362
Less:				
Property held for sale	(122,909,691)			(96,613,487)
Accumulated depreciation-NHFS	(6,117,124)			(6,991,546)
Total Capital Assets	\$ 9,995,090			\$ 9,602,690

* Represents property held for sale.

** Represents work in process.

Statistical
Section_____

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COMMISSION
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STATISTICAL SECTION

This part of PDC's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required information says about the Commission's overall financial health.

Contents	Page
Financial Trends	105
<i>These schedules contain trend information to help the reader understand how the Commission's financial performance and well-being have changed over time.</i>	
Revenue Capacity	109
<i>These schedules contain information to help the reader assess the Commission's most significant local revenue source, tax increment debt proceeds (in lieu of tax increment revenue).</i>	
Debt Capacity	111
<i>These schedules present information to help the reader assess the affordability of the Commission's current levels of understanding debt and its ability to issue additional debt in the future.</i>	
Demographics and Economic Information	127
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Commission's financial activities take place.</i>	
Operating Information	129
<i>These schedules contain service data to help the reader understand how the information in the Commission's financial report relates to the services the Commission provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. PDC implemented GASB Statement 34 in FY2001-2002; schedules presenting government-wide information included information beginning in that year.

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**NET ASSETS BY COMPONENT
Last Ten Fiscal Years
(Unaudited)**

	Fiscal Year									
	2001-02 (as restated)	2002-03 (as restated)	2003-04	2004-05	2005-06	2006-07	2007-08 (as restated)	2008-09	2009-10	2010-11
Governmental activities										
Invested in capital assets, net of related debt	\$ 12,379,903	\$ 12,078,534	\$ 13,181,711	\$ 13,864,073	\$ 13,188,653	\$ 12,715,642	\$ 12,358,875	\$ 12,404,855	\$ 9,995,090	\$ 9,602,690
Restricted	198,391,518	223,589,051	207,792,342	177,136,865	197,188,290	214,919,258	237,479,876	262,020,868	267,883,500	213,594,580
Unrestricted	5,070,488	3,385,457	2,966,770	3,314,382	3,389,413	2,660,789	3,283,081	4,943,550	1,527,725	3,689,822
Total governmental activities net assets	<u>215,841,909</u>	<u>239,053,042</u>	<u>223,940,823</u>	<u>194,315,320</u>	<u>213,766,356</u>	<u>230,295,689</u>	<u>253,121,832</u>	<u>279,369,273</u>	<u>279,406,315</u>	<u>226,887,092</u>
Business-type activities										
Unrestricted	<u>22,632,982</u>	<u>13,946,370</u>	<u>14,492,189</u>	<u>12,551,778</u>	<u>14,508,369</u>	<u>14,668,980</u>	<u>16,409,376</u>	<u>17,024,863</u>	<u>12,782,861</u>	<u>3,398,793</u>
Total government										
Invested in capital assets, net of related debt	12,379,903	12,078,534	13,181,711	13,864,073	13,188,653	12,715,642	12,358,875	12,404,855	9,995,090	9,602,690
Restricted	198,391,518	223,589,051	207,792,342	177,136,865	197,188,290	214,919,258	237,479,876	262,020,868	267,883,500	213,594,580
Unrestricted	27,703,470	17,331,827	17,458,959	15,866,160	17,897,782	17,329,769	19,692,457	21,968,413	14,310,586	7,088,615
Total government net assets	<u>\$ 238,474,891</u>	<u>\$ 252,999,412</u>	<u>\$ 238,433,012</u>	<u>\$ 206,867,098</u>	<u>\$ 228,274,725</u>	<u>\$ 244,964,669</u>	<u>\$ 269,531,208</u>	<u>\$ 296,394,136</u>	<u>\$ 292,189,176</u>	<u>\$ 230,285,885</u>

PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

CHANGES IN NET ASSETS
Last Ten Fiscal Years
(Unaudited)

	Fiscal Year									
	2001-02 (as restated)	2002-03 (as restated)	2003-04	2004-05	2005-06	2006-07	2007-08 (as restated)	2008-09	2009-10	2010-11
Expenses										
Governmental activities:										
Community development	\$ 63,742,991	\$ 58,007,849	\$ 75,311,799	\$ 99,462,500	\$ 100,446,658	\$ 116,101,082	\$ 105,412,401	\$ 103,984,411	\$ 130,439,659	\$ 156,412,909
Business-type activities:										
Enterprise loans	12,038,900	10,510,950	866,407	5,010,245	1,239,307	2,322,045	8,105,250	9,936,353	10,450,636	10,621,790
Enterprise management	-	-	-	-	-	-	-	-	1,112,560	985,671
Total expenses	75,781,891	68,518,799	76,178,206	104,472,745	101,685,965	118,423,127	113,517,651	113,920,764	142,002,855	168,020,370
Program Revenues										
Governmental activities:										
Charges for services	7,157,130	6,312,913	5,101,044	6,957,708	9,142,846	5,692,711	5,322,051	4,609,577	5,423,765	3,984,188
Operating grants and contributions	8,208,877	4,698,443	9,935,888	14,481,639	16,386,221	8,669,663	12,007,140	9,537,786	17,538,107	7,262,870
Total governmental activities program revenues	15,366,007	11,011,356	15,036,932	21,439,347	25,529,067	14,362,374	17,329,191	14,147,363	22,961,872	11,247,058
Business-type activities:										
Charges for services	2,851,313	2,101,629	1,350,925	2,999,021	2,676,027	2,037,570	3,211,791	3,643,684	2,299,955	2,058,945
Operating grants and contributions	4,907,367	-	-	-	-	138,814	6,365,519	6,840,790	6,747,695	200,092
Total business-type activities program revenues	7,758,680	2,101,629	1,350,925	2,999,021	2,676,027	2,176,384	9,577,310	10,484,474	9,047,650	2,259,037
Total revenues	23,124,687	13,112,985	16,387,857	24,438,368	28,205,094	16,538,758	26,906,501	24,631,837	32,009,522	13,506,095
Net (expense)/revenue:										
Governmental activities	(48,376,984)	(46,996,493)	(60,274,867)	(78,023,153)	(74,917,591)	(101,738,708)	(88,083,210)	(89,837,048)	(107,477,787)	(145,165,851)
Business-type activities	7,758,680	2,101,629	1,350,925	2,999,021	2,676,027	2,176,384	9,577,310	10,484,474	(2,515,546)	(9,348,424)
Total net expenses	(40,618,304)	(44,894,864)	(58,923,942)	(75,024,132)	(72,241,564)	(99,562,324)	(78,505,900)	(79,352,574)	(109,993,333)	(154,514,275)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Tax-increment debt proceeds										
(in lieu of tax-increment revenue)	35,346,282	64,390,903 ⁽¹⁾	36,906,756	43,671,683	82,974,088 ⁽²⁾	91,878,764 ⁽²⁾	105,929,455	105,254,573	89,778,162	85,287,185
Unrestricted investment income	4,935,427	2,441,664	1,473,943	2,009,751	2,890,426	3,491,587	2,489,775	2,872,087	1,190,507	664,618
Miscellaneous	3,186,101	2,941,489	6,768,486	2,707,265	8,911,725	8,458,224	2,627,865	7,920,829	14,769,846	6,644,825
Special Item - Cascade Station lease rights	-	-	-	-	-	14,550,302	-	-	-	-
Transfers	536,035	433,570	13,463	8,951	(407,612)	(110,836)	(137,742)	37,000	1,776,314	50,000
Total governmental activities	44,003,845	70,207,626	45,162,648	48,397,650	94,368,627	118,268,041	110,909,353	116,084,489	107,514,829	92,646,628
Business-type activities:										
Unrestricted investment income	395,169	156,279	74,764	79,764	112,259	195,423	130,594	74,339	49,858	14,356
Miscellaneous	(536,035)	(433,570)	-	-	-	-	-	30,027	-	-
Transfers	-	-	(13,463)	(8,951)	407,612	110,836	137,742	(37,000)	(1,776,314)	(50,000)
Total business-type activities	(140,866)	(277,291)	61,301	70,813	519,871	306,259	268,336	67,366	(1,726,456)	(35,644)
Total	43,862,979	69,930,335	45,223,949	48,468,463	94,888,498	118,574,300	111,177,689	116,151,855	105,788,373	92,610,984
Changes in Net Assets										
Governmental activities	(4,373,139)	23,211,133	(15,112,219)	(29,625,503)	19,451,036	16,529,333	22,826,143	26,247,441	37,042	(52,519,223)
Business-type activities	(4,421,086)	(8,686,612)	545,819	(1,940,411)	1,956,591	160,598	1,740,396	10,551,840	(4,242,002)	(9,384,068)
Total	\$ (8,794,225)	\$ 14,524,521	\$ (14,566,400)	\$ (31,565,914)	\$ 21,407,627	\$ 16,689,931	\$ 24,566,539	\$ 36,799,281	\$ (4,204,960)	\$ (61,903,291)

(1) Increase is due to bonds issued for River District urban renewal area.

(2) Increase is due to City of Portland Line of Credit reimbursements received for capital outlay.

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Unaudited)**

	Fiscal Year									
	2001-02 (as restated)	2002-03 (as restated)	2003-04	2004-05	2005-06	2006-07	2007-08 (as restated)	2008-09	2009-10	2010-11
General Fund										
Non-spendable	\$ 3,064,071	\$ 3,129,527	\$ 2,707,267	\$ 2,452,654	\$ 1,444,428	\$ 476,064	\$ 466,175	\$ 569,765	\$ 673,358	\$ 1,042,036
Assigned	-	-	-	-	-	-	-	-	-	3,069,788
Unassigned	1,755,571	-	-	701,254	1,471,055	1,788,615	2,789,504	4,391,564	4,632,922	1,010,040
Total general fund	<u>\$ 4,819,642</u>	<u>\$ 3,129,527</u>	<u>\$ 2,707,267</u>	<u>\$ 3,153,908</u>	<u>\$ 2,915,483</u>	<u>\$ 2,264,679</u>	<u>\$ 3,255,679</u>	<u>\$ 4,961,329</u>	<u>\$ 5,306,280</u>	<u>\$ 5,121,864</u>
All other governmental funds										
Reserved	\$ 99,129,827	\$ 129,823,503	\$ 125,008,341	\$ 113,678,934	\$ 127,770,229	\$ 165,555,407	\$ 174,306,280	\$ 182,333,262	\$ 187,587,202	\$ -
Unreserved, report in:										
Special revenue funds	1,349,852	1,360,203	935,674	1,048,085	734,202	928,313	747,264	371,923	1,070,851	-
Capital projects funds	97,911,839	92,405,345	82,491,391	62,649,846	68,683,859	48,435,539	70,007,265	88,815,802	84,843,645	-
Restricted										
Special revenue funds	-	-	-	-	-	-	-	-	-	3,583,005
Capital projects funds	-	-	-	-	-	-	-	-	-	216,899,188
Total all other government funds	<u>\$ 198,391,518</u>	<u>\$ 223,589,051</u>	<u>\$ 208,435,406</u>	<u>\$ 177,376,865</u>	<u>\$ 197,188,290</u>	<u>\$ 214,919,259</u>	<u>\$ 245,060,809</u>	<u>\$ 271,520,987</u>	<u>\$ 273,501,698</u>	<u>\$ 220,482,193</u>

PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Unaudited)

	Fiscal Year									
	2001-02 (as restated)	2002-03 (as restated)	2003-04	2004-05	2005-06	2006-07	2007-08 (as restated)	2008-09	2009-10	2010-11
Revenues										
Intergovernmental revenues	\$ 8,208,877	\$ 4,698,443	\$ 9,935,888	\$ 14,481,639	\$ 16,386,221	\$ 8,669,663	\$ 12,007,140	\$ 9,537,786	\$ 17,538,107	\$ 7,262,870
Charges for services	1,236,893	1,770,616	1,517,374	3,064,571	3,304,810	2,153,263	2,206,948	1,525,351	1,914,924	1,764,096
Loan collections	4,827,194	4,542,297	4,226,734	3,893,137	5,838,036	3,539,448	3,115,103	3,084,226	3,508,841	1,010,555
Interest on investments	4,934,581	2,436,580	1,470,370	2,004,595	2,881,904	3,468,091	2,471,816	2,861,153	1,186,801	662,945
PLPA receivable repayment	1,093,043	-	-	-	-	-	-	-	-	-
Miscellaneous	3,186,101	2,941,489	6,768,486	2,707,265	8,911,725	8,458,224	2,627,865	7,920,829	14,100,415	6,644,825
Tax-increment debt proceeds (in lieu of tax-increment revenue)	35,346,282	64,390,903 ⁽¹⁾	36,906,756	43,671,683	82,974,088 ⁽²⁾	91,878,764 ⁽²⁾	105,929,455 ⁽³⁾	105,254,573	89,778,162	85,287,185
Total revenues	58,832,971	80,780,328	60,825,608	69,822,890	120,296,784	118,167,453	128,358,327	130,183,918	128,027,250	102,632,476
Expenditures										
Community development	22,428,569	24,143,208	26,242,691	32,096,129	29,618,462	63,600,425	38,092,378	37,508,986	42,361,435	63,899,297
Capital outlay	14,503,201	15,288,758	13,492,269	30,724,590	42,727,841	17,090,870	25,019,143	36,518,711	35,237,650	45,311,997
Financial assistance	26,805,541	18,274,514	36,677,660	37,608,692	27,663,186	34,835,459	33,887,263	28,597,158	49,840,026	45,947,640
Debt service - Interest	211,463	-	2,356	14,330	-	-	89,250	-	38,927	727,463
Total expenditures	63,948,774	57,706,480	76,414,976	100,443,741	100,009,489	115,526,754	97,088,034	102,624,855	127,478,038	155,886,397
Excess of revenues over (under) expenditures	(5,115,803)	23,073,848	(15,589,368)	(30,620,851)	20,287,295	2,640,699	31,270,293	27,559,063	549,212	(53,253,921)
Other financing sources (uses)										
Internal service reimbursements	-	-	-	-	-	-	-	-	569,901	-
Transfers in	1,655,541	727,944	491,511	804,960	3,971,121	1,937,319	4,581,453	19,923,389	16,001,799	50,000 ⁽⁴⁾
Transfers out	(1,369,506)	(294,374)	(478,048)	(796,009)	(4,685,416)	(2,048,155)	(4,719,195)	(19,886,389)	(14,225,485)	- ⁽⁴⁾
Total other financing sources (uses)	286,035	433,570	13,463	8,951	(714,295)	(110,836)	(137,742)	37,000	2,346,215	50,000
Special Item - Cascade Station lease rights	-	-	-	-	-	14,550,302	-	-	-	-
Net change in fund balances	\$ (4,829,768)	\$ 23,507,418	\$ (15,575,905)	\$ (30,611,900)	\$ 19,573,000	\$ 17,080,165	\$ 31,132,551	\$ 27,596,063	\$ 2,895,427	\$ (53,203,921)

(1) Increase is due to bonds issued for River District urban renewal area.

(2) Increase is due to City of Portland Line of Credit reimbursements received for capital outlay.

(3) Increase is due to issuance of bonds for Downtown Waterfront urban renewal area

(4) Decrease in transfers is due to the elimination of major federal grant programs and related required transfers with the transition of housing to the Portland Housing Bureau.

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**GENERAL GOVERNMENT REVENUES
For The Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	Inter- Governmental Revenues	Charges for Services	Loan Collections ⁽¹⁾	Investment Income	Miscellaneous	Service Reimbursements	Tax-increment Debt Proceeds (in lieu of tax-increment revenue) ⁽²⁾	Total
2001-02	\$ 13,116,244	\$ 2,196,655	\$ 15,662,655	\$ 5,313,639	\$ 6,649,451	\$ -	\$ 35,346,282	\$ 78,284,926 ⁽⁴⁾
2002-03	5,328,175	2,236,099	14,430,643	2,597,430	6,923,527	11,305,170	64,390,903	107,211,947 ⁽⁵⁾
2003-04	13,423,445	1,629,205	14,728,499	1,547,852	16,865,270	14,617,997	36,906,756	99,719,024 ⁽⁶⁾
2004-05	15,614,350	3,128,250	13,857,498	2,088,352	4,769,740	22,238,125	43,671,683	105,367,998 ⁽⁷⁾
2005-06	16,386,221	3,470,247	25,053,209	2,993,474	5,006,640	23,126,825	82,974,088	159,010,704 ⁽⁸⁾
2006-07	8,808,477	2,471,383	14,432,249	3,678,696	8,088,537	26,533,745	91,878,764	155,891,851
2007-08	18,372,659	3,369,928	16,939,460	2,648,707	5,748,141	29,660,046	105,929,455	182,668,396 ⁽⁹⁾
2008-09	16,378,576	1,695,463	20,243,983	2,976,453	6,881,900	32,987,672	105,254,573	186,418,620
2009-10	24,285,794	3,051,256	19,965,068	1,236,665	9,968,223	-	89,778,162	148,285,168 ⁽¹⁰⁾
2010-11	4,159,959	2,574,277	4,321,335	678,974	11,124,848	-	85,287,185	108,146,578

Source: Portland Development Commission records on a budgetary basis for all funds.

- (1) Interest earned on loans is included in Loan Collections.
- (2) Through fiscal year 1996-97, transfers from City of Portland Debt Service Funds are included in Miscellaneous. Beginning with fiscal year 1997-98, transfers from City of Portland Debt Service Funds are included in tax-increment Debt Proceeds (in lieu of tax increment revenue).
- (3) During fiscal year 2000-01, bonds were issued for three urban renewal funds, Convention Center, South Park Blocks and the Waterfront Urban Renewal.
- (4) The large decrease in tax-increment revenues is due to the Shilo Inn court decision.
- (5) Increase is due to bonds issued for River District urban renewal area and for overhead charges budgeted as service reimbursements. In prior years, Service Reimbursements were budgeted as Interfund Transfers.
- (6) Increase in Home and CDBG grant revenues and revenues received from the sale of property held for sale has increased the intergovernmental and miscellaneous revenues. No bonds were issued during the fiscal year, thereby the reduction of the tax-increment debt proceeds.
- (7) Increase in Service Reimbursements is due to the change in methodology of Personal Services beginning Fiscal Year 2004-05. In prior years Personal Services were expended directly to individual funds.
- (8) Increase in tax-increment Debt Proceeds is due to City of Portland Line of Credit reimbursements for Capital Outlay.
- (9) Increase is due to bonds issued for Downtown Waterfront urban renewal area.
- (10) Internal service reimbursements were reclassified to a transfer.

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**GENERAL GOVERNMENT EXPENDITURES
For The Last Ten Fiscal Years
(Unaudited)**

<u>Fiscal Year</u>	<u>Personal Services</u>	<u>Materials and Services</u>	<u>Capital Outlay</u>	<u>Financial Assistance</u>	<u>Debt Service</u>	<u>Total</u>
2001-02	\$ 11,358,989	\$ 11,939,244	\$ 46,780,248	\$ 39,675,273	\$ 2,895,684	\$ 112,649,438
2002-03	12,797,482	22,306,881 ⁽¹⁾	26,293,552	27,808,001	2,867,083	92,072,999
2003-04	15,089,965	25,926,709	37,335,990 ⁽²⁾	43,957,311 ⁽²⁾	2,738,977	125,048,952
2004-05	20,501,767	31,805,745	35,920,409	50,698,697	3,299,652	142,226,270
2005-06	22,373,756	27,902,737	61,417,936 ⁽³⁾	51,208,537	1,522,868	164,425,834
2006-07	24,601,713	63,212,456 ⁽⁴⁾	26,616,600	57,005,317	1,062,549	172,498,635
2007-08	27,904,908	40,464,287	40,139,330	49,894,489	2,868,011	161,271,025
2008-09	28,520,035	42,124,266	35,660,038	52,267,819	8,315,206	166,887,364
2009-10	22,175,426	22,981,345 ⁽⁵⁾	36,771,943	66,245,765	8,467,384	156,641,863
2010-11	17,904,488	49,598,814 ⁽⁶⁾	27,269,642	32,918,717	3,016,545	130,708,206

Source: Portland Development Commission records on a budgetary basis for all funds.

- (1) In fiscal year 2002-03, due to a change in Budget presentation, Service Reimbursements are budgeted as Materials and Services. In prior years, they were budgeted as Interfund Transfers.
- (2) Increase due to the acquisition of \$16.6 million in property held for sale in the River District Urban Renewal Area.
- (3) Increase due to added infrastructure and transportation in the Gateway and Lents Urban Renewal Areas and the acquisition of the Headquarters Hotel property held for sale in the Convention Center Urban Renewal Area.
- (4) Increase is due to added infrastructure and transportation for the Light Rail Expansion, Portland Aerial Tram, and the Portland Streetcar.
- (5) Decrease due to reclass of internal service charges being classified as interfund transfer.
- (6) Increase due principally to reimbursement payments to Portland Housing Bureau

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**URBAN RENEWAL AREA CONSOLIDATED TAX RATES
For The Last Ten Fiscal Years
(Unaudited)**

Districts Common to All Areas

Fiscal Year	Multnomah County	City of Portland	Port of Portland	Metro Service District	Tri-County Metropolitan Transportation District	Multnomah County ESD	Subtotal	City of Portland Urban Renewal ⁽¹⁾
2001-02	\$ 5.1742	\$ 6.9663	\$ 0.0701	\$ 0.2835	\$ 0.1239	\$ 0.4576	\$ 13.0756	\$ 0.4151
2002-03	5.2719	8.1893	0.0701	0.2900	0.1080	0.4576	14.3869	0.4039
2003-04	5.2785	7.9791	0.0701	0.2838	0.1104	0.4576	14.1795	0.3897
2004-05	5.3065	7.9181	0.0701	0.2841	0.1191	0.4576	14.1555	0.3754
2005-06	5.2949	7.8128	0.0701	0.2782	0.0973	0.4576	14.0109	0.3588
2006-07	5.4171	7.9024	0.0701	0.4289	0.0856	0.4576	14.3617	0.4250
2007-08	5.3936	7.3924	0.0701	0.3984	0.0803	0.4576	13.7924	0.3235
2008-09	5.4026	7.8235	0.0701	0.4368	0.0863	0.4576	14.2769	0.3100
2009-10	5.4026	7.8235	0.0701	0.4368	0.0863	0.4576	14.2769	0.3100
2010-11	5.3846	7.8077	0.0701	0.4088	0.0878	0.4576	14.2166	0.3009

Tax rates are expressed in terms of dollars and cents per \$1,000 of assessed value. Multnomah County collects all property taxes and distributes the taxes collected to each taxing district at least monthly. No charges are made to the taxing districts for these services. The sequestered tax increment revenue property taxes are recorded in the debt service funds of the City of Portland and are disclosed in the City's annual financial report.

- (1) Special levy applied only to Option 3 urban renewal areas: Oregon Convention Center, South Park Blocks, Downtown Waterfront, and Airport Way.
- (2) Applies to all areas except Gateway Regional Center Urban Renewal Area with the exception of a small number of properties.
- (3) Applies to Gateway Regional Center and Airport Way urban renewal areas
- (4) Applies only to the Airport Way Urban Renewal Area.
- (5) Applies to the following urban renewal areas: Lents Town Center, Gateway Regional Center, Interstate Corridor, Willamette Industrial, Airport Way, Oregon Convention Center, and Central Eastside
- (6) Applies to the following urban renewal areas: River District, North Macadam, South Park Blocks, and Downtown Waterfront.
- (7) Applies to the Lents Town Center, Gateway Regional Center, and Airport Way urban renewal areas.
- (8) Applies to Lents Town Center, and Gateway Regional Center urban renewal areas.

Source: Multnomah County Tax Supervising and Conservation Commission Annual Reports.

Portland Public School District #1 ⁽²⁾	Parkrose School District #3 ⁽³⁾	Reynolds School District #7 ⁽⁴⁾	David Douglas School District #40 ⁽⁸⁾	East Multnomah County Soil & Water Conservation District ⁽⁵⁾	West Multnomah County Soil & Water Conservation District ⁽⁶⁾	Portland Community College ⁽²⁾	Mt. Hood Community College ⁽⁷⁾
\$ 7.2206	\$ 6.5859	\$ 6.0246	\$ 6.7349	\$ -	\$ -	\$ 0.4944	\$ 0.5164
7.1160	6.9056	6.0259	6.6373	-	-	0.5118	0.5137
7.1792	6.6952	6.0431	6.5923	-	-	0.5099	0.4981
4.7743	6.3294	6.0151	6.5495	0.0413	-	0.4950	0.4917
5.2781	6.2635	5.9497	6.8335	0.0326	-	0.4889	0.4917
6.5281	5.9247	5.8339	6.8590	0.0715	0.0378	0.5051	0.4917
6.5281	5.8887	5.8147	6.8731	0.0877	0.0369	0.5031	0.4917
6.5281	6.1391	5.6033	6.5048	0.1000	0.0391	0.6325	0.4917
6.5281	6.1391	5.6033	6.5048	0.1000	0.0391	0.6325	0.4917
6.5281	6.0049	5.5958	6.4276	0.1000	0.0469	0.6359	0.4917

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**URBAN RENEWAL AND REDEVELOPMENT BONDS
FUTURE BOND PRINCIPAL REQUIREMENTS
As of June 30, 2011
(Unaudited)**

Fiscal Year	South ParkBlocks Urban Renewal Bonds	Convention Center Urban Renewal Bonds	Downtown Waterfront Urban Renewal Bonds	River District Urban Renewal Bonds	Interstate Corridor Urban Renewal Bonds	Airport Way Urban Renewal Bonds	South ParkBlocks Urban Renewal Bonds	Downtown Waterfront Urban Renewal Bonds	Lents Town Center Urban Renewal Bonds	North Macadam Urban Renewal Bonds	Central Eastside Urban Renewal Bonds
	2000 Series A & B	2000 Series A & B	2000 Series A & B	2003 Series A & B	2004 Series A	2005 Series A & B	2008 Series A & B	2008 Series A & B	2010 Series A & B	2010 Series A & B	2010 Series A & B
2011-12	2,250,000	3,445,000	3,445,000	2,750,000	1,325,000	3,675,000	1,315,000	1,790,000	1,155,000	2,155,000	670,000
2012-13	320,000	3,710,000	3,695,000	2,855,000	1,380,000	3,815,000	3,485,000	1,870,000	1,190,000	2,220,000	985,000
2013-14	-	3,995,000	3,960,000	2,970,000	1,435,000	4,010,000	4,015,000	1,960,000	1,235,000	2,290,000	1,015,000
2014-15	-	4,230,000	4,185,000	3,090,000	1,490,000	4,210,000	4,250,000	2,050,000	1,290,000	2,370,000	1,050,000
2015-16	-	4,470,000	4,415,000	3,225,000	1,550,000	4,420,000	4,510,000	2,160,000	1,350,000	2,465,000	1,095,000
2016-17	-	4,725,000	4,665,000	3,385,000	1,625,000	4,640,000	4,780,000	2,275,000	1,425,000	2,600,000	1,145,000
2017-18	-	4,995,000	4,935,000	3,550,000	1,710,000	4,875,000	5,070,000	2,390,000	1,510,000	2,740,000	1,205,000
2018-19	-	5,280,000	5,215,000	3,725,000	1,800,000	5,120,000	8,690,000	2,520,000	1,595,000	2,885,000	1,270,000
2019-20	-	5,570,000	5,515,000	3,915,000	1,890,000	5,375,000	5,845,000	2,680,000	1,690,000	3,040,000	1,345,000
2020-21	-	-	-	4,110,000	1,990,000	-	4,060,000	5,415,000	1,785,000	3,205,000	1,425,000
2021-22	-	-	-	4,315,000	2,095,000	-	4,265,000	5,760,000	1,900,000	3,380,000	1,490,000
2022-23	-	-	-	4,520,000	2,190,000	-	4,480,000	6,120,000	2,015,000	3,525,000	1,555,000
2023-24	-	-	-	-	2,295,000	-	8,040,000	7,000,000	2,145,000	3,655,000	1,625,000
2024-25	-	-	-	-	2,410,000	-	-	-	2,275,000	3,840,000	1,700,000
2025-26	-	-	-	-	-	-	-	-	2,390,000	3,995,000	1,780,000
2026-27	-	-	-	-	-	-	-	-	2,500,000	4,150,000	1,870,000
2027-28	-	-	-	-	-	-	-	-	2,625,000	4,320,000	1,960,000
2028-29	-	-	-	-	-	-	-	-	2,755,000	4,500,000	2,060,000
2029-30	-	-	-	-	-	-	-	-	2,885,000	4,725,000	2,165,000
2030-31	-	-	-	-	-	-	-	-	-	-	2,280,000
Total	\$ 2,570,000	\$ 40,420,000	\$ 40,030,000	\$ 42,410,000	\$ 25,185,000	\$ 40,140,000	\$ 62,805,000	\$ 43,990,000	\$ 35,715,000	\$ 62,060,000	\$ 29,690,000

Source: Amortization schedule for each bond.

Note 1: Bonds are debt of the City of Portland and are disclosed in the City's Comprehensive Annual Financial Report. This information is included in this report to assist the reader in determining future financing capacity.

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**URBAN RENEWAL AND REDEVELOPMENT BONDS
FUTURE BOND INTEREST REQUIREMENTS
As of June 30, 2011
(Unaudited)**

Fiscal Year	South ParkBlocks Urban Renewal Bonds	Convention Center Urban Renewal Bonds	Downtown Waterfront Urban Renewal Bonds	River District Urban Renewal Bonds	Interstate Corridor Urban Renewal Bonds	Airport Way Urban Renewal Bonds	South ParkBlocks Urban Renewal Bonds	Downtown Waterfront Urban Renewal Bonds	Lents Town Center Urban Renewal Bonds	North Macadam Urban Renewal Bonds	Central Eastside Urban Renewal Bonds
	2000	2000	2000	2003	2004	2005	2008	2008	2010	2010	2010
	Series B	Series A & B	Series A & B	Series A & B	Series A	Series A & B	Series A & B	Series A & B	Series A & B	Series A & B	Series A & B
2011-12	\$ 2,250,000	\$ 2,429,583	\$ 2,372,296	\$ 1,980,070	\$ 1,208,331	\$ 1,916,500	\$ 3,420,919	\$ 2,588,941	\$ 1,875,028	2,805,563	1,735,110
2012-13	320,000	2,166,041	2,122,189	1,875,570	1,155,331	1,769,500	3,353,565	2,508,928	1,838,784	2,744,770	1,418,815
2013-14	-	1,880,371	1,857,604	1,763,654	1,100,131	1,578,750	3,169,835	2,421,599	1,793,849	2,673,730	1,388,693
2014-15	-	1,647,008	1,636,298	1,644,260	1,042,731	1,378,250	2,927,691	2,324,383	1,741,325	2,591,061	1,351,828
2015-16	-	1,405,718	1,404,228	1,508,693	983,131	1,167,750	2,671,373	2,219,628	1,682,591	2,497,209	1,308,253
2016-17	-	1,149,705	1,152,515	1,349,845	905,631	946,750	2,399,375	2,107,092	1,604,507	2,364,740	1,257,883
2017-18	-	880,555	884,465	1,180,595	824,381	714,750	2,111,093	1,986,289	1,522,085	2,225,016	1,199,660
2018-19	-	595,250	603,188	1,006,200	734,606	471,000	1,805,322	1,858,185	1,434,747	2,077,769	1,132,963
2019-20	-	306,350	303,325	819,950	640,106	215,000	1,334,500	1,699,425	1,342,492	1,922,729	1,059,989
2020-21	-	-	-	624,200	540,881	-	1,042,250	1,530,585	1,244,742	1,759,359	978,669
2021-22	-	-	-	418,700	436,406	-	839,250	1,189,440	1,132,573	1,580,711	912,125
2022-23	-	-	-	212,100	344,750	-	626,000	826,560	1,013,177	1,439,188	848,800
2023-24	-	-	-	-	235,250	-	402,000	441,000	886,554	1,307,000	780,769
2024-25	-	-	-	-	120,500	-	-	-	756,238	1,124,250	705,613
2025-26	-	-	-	-	-	-	-	-	642,488	970,650	624,863
2026-27	-	-	-	-	-	-	-	-	527,738	810,850	535,863
2027-28	-	-	-	-	-	-	-	-	402,738	644,850	442,363
2028-29	-	-	-	-	-	-	-	-	275,113	461,250	344,363
2029-30	-	-	-	-	-	-	-	-	144,250	236,251	236,213
2030-31	-	-	-	-	-	-	-	-	-	-	122,550
Total	\$ 2,570,000	\$ 12,460,581	\$ 12,336,108	\$ 14,383,837	\$ 10,272,166	\$ 10,158,250	\$ 26,103,173	\$ 23,702,055	\$ 21,861,019	\$ 32,236,946	\$ 18,385,385

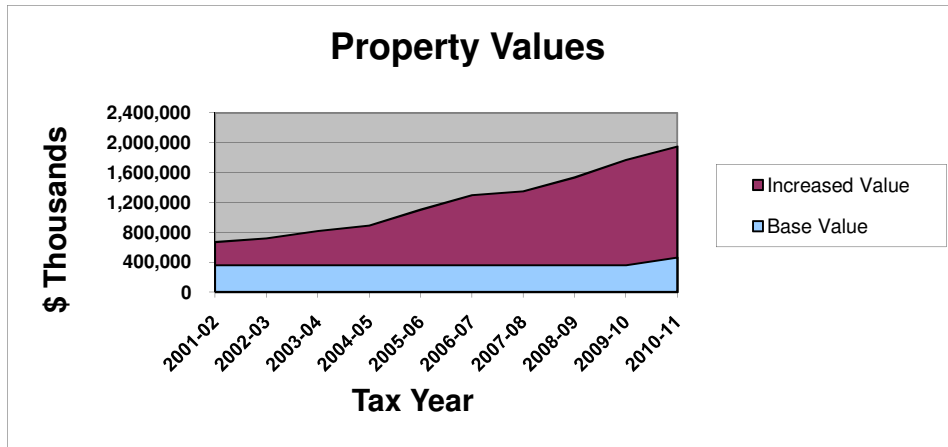
Source: Amortization schedule for each bond.

Note 1: Bonds are debt of the City of Portland and are disclosed in the City's Comprehensive Annual Financial Report. This information is included in this report to assist the reader in determining future financing capacity.

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**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**RIVER DISTRICT URBAN RENEWAL FUND
PROPERTY VALUES, TAX INCREMENT, AND PROJECTED DEMOGRAPHICS
For The Last Ten Fiscal Years Or Since Inception
(Unaudited)**



Tax Year	Tax Rate ⁽¹⁾	Base Value	Increased Value	Tax Revenue for Urban Renewal Debt ⁽¹⁾
2001-02	\$ 18.77	\$ 358,684,364	\$ 311,352,811	\$ 5,842,751
2002-03	19.71	358,684,364	360,419,813	7,103,606
2003-04	20.36	358,684,364	460,215,910	9,369,834
2004-05	20.45	358,684,364	532,780,808	10,893,010
2005-06	18.50	358,684,364	744,785,705	13,775,847
2006-07	18.96	358,684,364	940,187,466	17,822,132
2007-08	20.43	358,684,364	991,749,182	20,265,457
2008-09	19.94	358,684,364	1,177,770,363	23,482,535
2009-10	20.38	358,684,364	1,411,486,318	28,760,647
2010-11	20.08	461,577,974	1,488,594,879	29,883,737

Source: Multnomah County Division of Assessment and Taxation

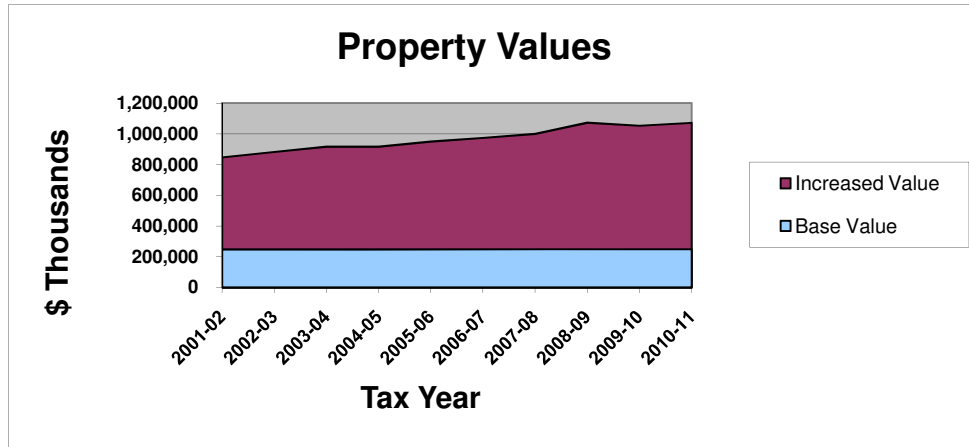
	URA		Portland	
	Current 2008	Projected 2013	Current 2008	Projected 2013
Population	5,258	6,397	557,614	704,957
Per Capita Income	\$ 36,589	\$ 44,179	\$ 30,317	\$ 35,277
Total Housing Units	3,779	4,742	255,949	267,407
Owner Occupied Housing Units	1,065	1,336	137,536	139,659
Renter Occupied Housing Units	2,128	2,691	100,748	107,606

Source: The 2008/2013 forecasted demographic figures have been derived using ESRI's Business Analyst Software. Forecasts are developed by incorporating all the Census 2000 data as well as using postcensus trends in the population which are captured from a variety of data sources and applied to the most accurate update for 2008. This change is then extrapolated five years to 2013. The 2008 update represents current events; the 2013 forecast illustrates the effects of current events and the expected recovery from the recession. PDC GIS

(1) Tax rate is the average, imputed tax rate based on Tax Revenue for Urban Renewal Debt (taxes imposed) and Increased Value.

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**CONVENTION CENTER URBAN RENEWAL FUND
PROPERTY VALUES, TAX INCREMENT, AND PROJECTED DEMOGRAPHICS
For The Last Ten Fiscal Years Or Since Inception
(Unaudited)**



Tax Year	Tax Rate ⁽¹⁾	Base Value	Increased Value	Tax Revenue for Urban Renewal Debt ⁽¹⁾
2001-02	\$ 20.11	\$ 247,502,688	\$ 599,699,903	\$ 5,321,789
2002-03	20.70	247,728,838	634,324,294	5,439,991
2003-04	21.91	247,728,838	669,453,106	5,304,200
2004-05	21.73	247,728,838	668,865,098	5,348,082
2005-06	19.33	248,214,131	701,773,824	5,441,875
2006-07	19.68	248,689,281	725,955,191	5,475,275
2007-08	21.30	248,689,281	751,940,292	5,438,655
2008-09	20.76	248,689,281	824,599,717	5,454,893
2009-10	21.41	248,951,143	804,685,182	5,419,374
2010-11	21.31	248,951,143	822,947,836	5,346,748

Source: Multnomah County Division of Assessment and Taxation

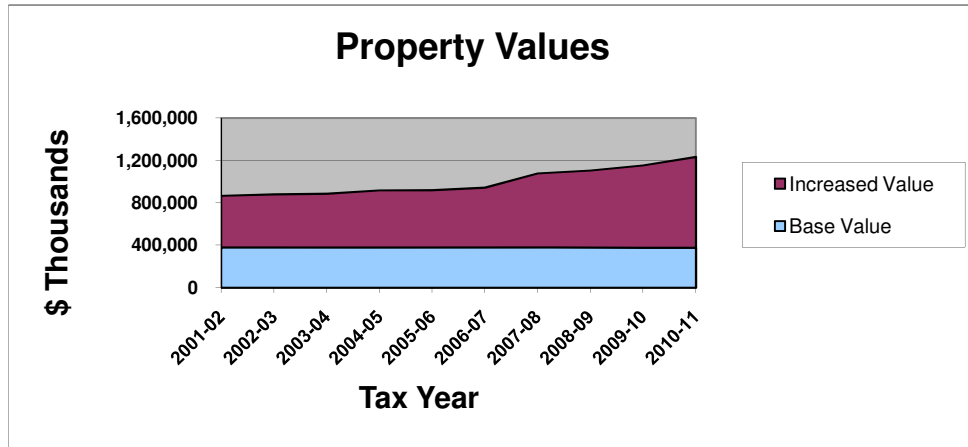
	URA		Portland	
	Current 2008	Projected 2013	Current 2008	Projected 2013
Population	2,204	2,322	557,614	704,957
Per Capita Income	\$ 28,955	\$ 33,706	\$ 30,317	\$ 35,277
Total Housing Units	1,512	1,612	255,949	267,407
Owner Occupied Housing Units	334	337	137,536	139,659
Renter Occupied Housing Units	949	1,020	100,748	107,606

Source: The 2008/2013 forecasted demographic figures have been derived using ESRI's Business Analyst Software. Forecasts are developed by incorporating all the Census 2000 data as well as using postcensus trends in the population which are captured from a variety of data sources and applied to the most accurate update for 2008. This change is then extrapolated five years to 2013. The 2008 update represents current events; the 2013 forecast illustrates the effects of current events and the expected recovery from the recession. PDC GIS

(1) Tax rate is the average, imputed tax rate based on Tax Revenue for Urban Renewal Debt (taxes imposed) and Increased Value.

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**SOUTH PARK BLOCKS URBAN RENEWAL FUND
PROPERTY VALUES, TAX INCREMENT, AND PROJECTED DEMOGRAPHICS
For The Last Ten Fiscal Years Or Since Inception
(Unaudited)**



Tax Year	Tax Rate ⁽¹⁾	Base Value	Increased Value	Tax Revenue for Urban Renewal Debt ⁽¹⁾
2001-02	\$ 20.55	\$ 378,055,680	\$ 489,214,478	\$ 5,361,842
2002-03	20.67	378,055,680	502,592,163	5,356,909
2003-04	21.91	378,055,680	508,799,241	5,231,174
2004-05	21.76	378,055,680	540,333,579	5,280,064
2005-06	19.31	378,055,680	540,982,035	5,370,006
2006-07	19.66	378,055,680	566,120,167	5,403,278
2007-08	21.32	378,055,680	700,363,924	5,376,221
2008-09	20.72	378,055,680	727,733,672	5,381,549
2009-10	21.33	376,066,574	778,265,484	5,341,041
2010-11	21.30	376,066,574	858,446,906	5,281,167

Source: Multnomah County Division of Assessment and Taxation

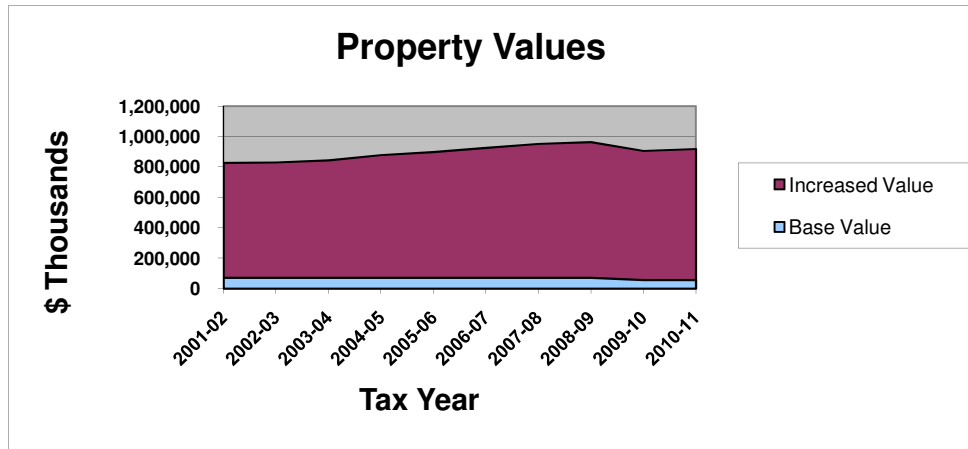
	URA		Portland	
	Current 2008	Projected 2013	Current 2008	Projected 2013
Population	5,975	6,472	557,614	704,957
Per Capita Income	\$ 33,186	\$ 39,924	\$ 30,317	\$ 35,277
Total Housing Units	2,808	3,378	255,949	267,407
Owner Occupied Housing Units	594	737	137,536	139,659
Renter Occupied Housing Units	1,762	2,094	100,748	107,606

Source: The 2008/2013 forecasted demographic figures have been derived using ESRI's Business Analyst Software. Forecasts are developed by incorporating all the Census 2000 data as well as using postcensus trends in the population which are captured from a variety of data sources and applied to the most accurate update for 2008. This change is then extrapolated five years to 2013. The 2008 update represents current events; the 2013 forecast illustrates the effects of current events and the expected recovery from the recession. PDC GIS

(1) Tax rate is the average, imputed tax rate based on Tax Revenue for Urban Renewal Debt (taxes imposed) and Increased Value.

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**DOWNTOWN WATERFRONT URBAN RENEWAL FUND
PROPERTY VALUES, TAX INCREMENT, AND PROJECTED DEMOGRAPHICS
For The Last Ten Fiscal Years Or Since Inception
(Unaudited)**



Tax Year	Tax Rate ⁽¹⁾	Base Value	Increased Value	Tax Revenue for Urban Renewal Debt ⁽¹⁾
2001-02	\$ 20.61	\$ 70,866,644	\$ 755,937,736	\$ 7,323,468
2002-03	20.71	70,866,644	759,787,319	7,310,380
2003-04	21.92	70,866,644	772,959,655	7,128,198
2004-05	21.78	70,866,644	807,467,176	7,199,233
2005-06	19.33	70,866,644	828,313,148	7,322,396
2006-07	19.70	70,866,644	854,990,000	7,373,237
2007-08	21.30	70,866,644	881,338,267	7,315,259
2008-09	20.76	70,866,644	893,495,927	7,344,233
2009-10	21.37	55,674,313	850,698,640	7,288,146
2010-11	21.30	55,674,313	863,116,698	7,193,407

Source: Multnomah County Division of Assessment and Taxation

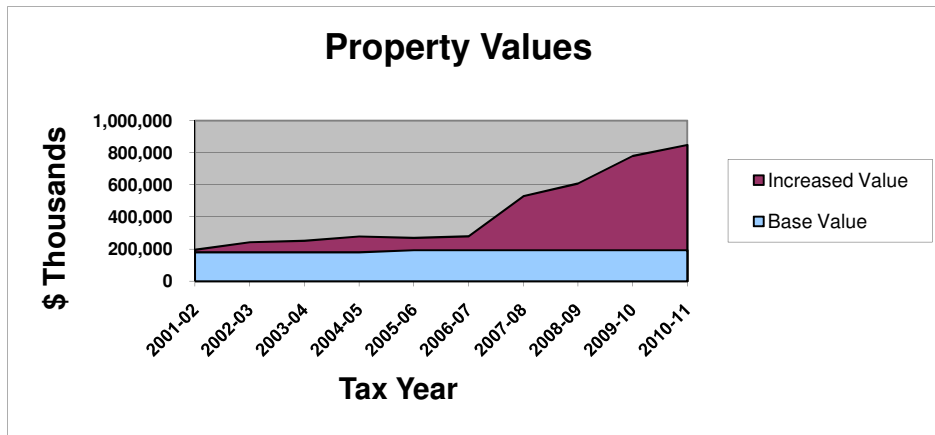
	URA		Portland	
	Current 2008	Projected 2013	Current 2008	Projected 2013
Population	3,337	3,924	557,614	704,957
Per Capita Income	\$ 33,186	\$ 39,924	\$ 30,317	\$ 35,277
Total Housing Units	2,808	3,378	255,949	267,407
Owner Occupied Housing Units	594	737	137,536	139,659
Renter Occupied Housing Units	1,762	2,094	100,748	107,606

Source: The 2008/2013 forecasted demographic figures have been derived using ESRI's Business Analyst Software. Forecasts are developed by incorporating all the Census 2000 data as well as using postcensus trends in the population which are captured from a variety of data sources and applied to the most accurate update for 2008. This change is then extrapolated five years to 2013. The 2008 update represents current events; the 2013 forecast illustrates the effects of current events and the expected recovery from the recession. PDC GIS

(1) Tax rate is the average, imputed tax rate based on Tax Revenue for Urban Renewal Debt (taxes imposed) and Increased Value.

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**NORTH MACADAM URBAN RENEWAL FUND
PROPERTY VALUES, TAX INCREMENT, AND PROJECTED DEMOGRAPHICS
For The Last Ten Fiscal Years Or Since Inception
(Unaudited)**



Tax Year	Tax Rate ⁽¹⁾	Base Value	Increased Value	Tax Revenue for Urban Renewal Debt ⁽¹⁾
2001-02	\$ 20.75	\$ 180,450,967	\$ 15,450,023	\$ 302,150
2002-03	20.36	180,450,967	62,791,415	1,217,321
2003-04	21.53	180,450,967	71,592,763	1,432,961
2004-05	21.46	180,450,967	98,624,297	1,984,570
2005-06	18.94	192,609,397	77,592,382	1,403,366
2006-07	19.51	192,609,397	86,887,411	1,627,714
2007-08	21.35	192,609,397	336,699,090	6,862,754
2008-09	20.78	192,609,397	415,675,637	8,269,705
2009-10	21.39	192,609,397	587,134,026	11,932,266
2010-11	21.35	192,609,397	655,671,677	13,139,779

Source: Multnomah County Division of Assessment and Taxation

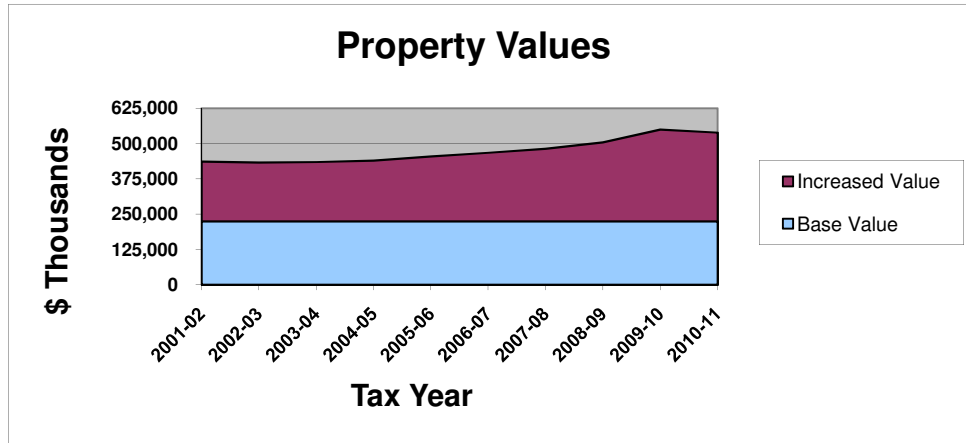
	URA		Portland	
	Current 2008	Projected 2013	Current 2008	Projected 2013
Population	1,408	1,473	557,614	704,957
Per Capita Income	\$ 71,605	\$ 87,134	\$ 30,317	\$ 35,277
Total Housing Units	1,181	1,253	255,949	267,407
Owner Occupied Housing Units	330	344	137,536	139,659
Renter Occupied Housing Units	626	655	100,748	107,606

Source: The 2008/2013 forecasted demographic figures have been derived using ESRI's Business Analyst Software. Forecasts are developed by incorporating all the Census 2000 data as well as using postcensus trends in the population which are captured from a variety of data sources and applied to the most accurate update for 2008. This change is then extrapolated five years to 2013. The 2008 update represents current events; the 2013 forecast illustrates the effects of current events and the expected recovery from the recession. PDC GIS

(1) Tax rate is the average, imputed tax rate based on Tax Revenue for Urban Renewal Debt (taxes imposed) and Increased Value.

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**CENTRAL EASTSIDE URBAN RENEWAL FUND
PROPERTY VALUES, TAX INCREMENT, AND PROJECTED DEMOGRAPHICS
For The Last Ten Fiscal Years Or Since Inception
(Unaudited)**



Tax Year	Tax Rate ⁽¹⁾	Base Value	Increased Value	Tax Revenue for Urban Renewal Debt ⁽¹⁾
2001-02	\$ 20.24	\$ 224,605,349	\$ 212,183,161	\$ 4,046,580
2002-03	20.64	224,605,349	208,600,216	4,098,740
2003-04	20.33	224,605,349	210,497,285	4,063,491
2004-05	20.21	224,605,349	215,708,847	4,164,087
2005-06	17.78	224,605,349	230,380,503	3,973,027
2006-07	18.14	224,605,349	243,532,862	4,296,871
2007-08	18.24	224,605,349	257,850,367	4,578,234
2008-09	18.51	224,605,349	279,998,617	5,030,994
2009-10	18.51	224,605,349	325,868,916	5,843,346
2010-11	18.00	224,626,739	314,667,331	5,460,067

Source: Multnomah County Division of Assessment and Taxation

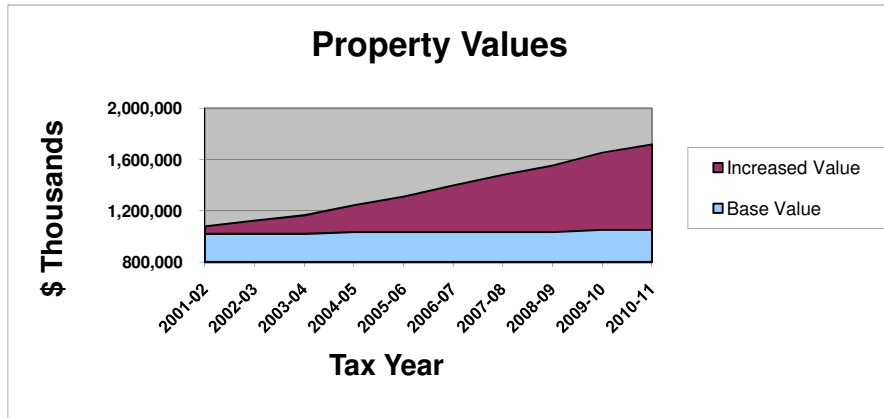
	URA		Portland	
	Current 2008	Projected 2013	Current 2008	Projected 2013
Population	1,687	1,701	557,614	704,957
Per Capita Income	\$ 26,658	\$ 32,125	\$ 30,317	\$ 35,277
Total Housing Units	942	960	255,949	267,407
Owner Occupied Housing Units	334	337	137,536	139,659
Renter Occupied Housing Units	949	1,020	100,748	107,606

Source: The 2008/2013 forecasted demographic figures have been derived using ESRI's Business Analyst Software. Forecasts are developed by incorporating all the Census 2000 data as well as using postcensus trends in the population which are captured from a variety of data sources and applied to the most accurate update for 2008. This change is then extrapolated five years to 2013. The 2008 update represents current events; the 2013 forecast illustrates the effects of current events and the expected recovery from the recession. PDC GIS

(1) Tax rate is the average, imputed tax rate based on Tax Revenue for Urban Renewal Debt (taxes imposed) and Increased Value.

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**INTERSTATE CORRIDOR URBAN RENEWAL FUND
PROPERTY VALUES, TAX INCREMENT, AND PROJECTED DEMOGRAPHICS
For The Last Ten Fiscal Years Or Since Inception
(Unaudited)**



Tax Year	Tax Rate ⁽¹⁾	Base Value	Increased Value	Tax Revenue for Urban Renewal Debt ⁽¹⁾
2001-02	\$ 20.91	\$ 1,019,794,975	\$ 58,139,955	\$ 1,145,888
2002-03	20.54	1,019,794,975	104,464,625	2,042,785
2003-04	21.74	1,019,794,975	144,893,801	2,925,355
2004-05	21.70	1,033,372,876	209,114,965	4,253,560
2005-06	19.30	1,033,372,876	276,592,476	5,096,500
2006-07	19.73	1,033,372,876	363,829,663	6,890,757
2007-08	21.38	1,033,372,876	447,042,428	9,124,210
2008-09	20.86	1,033,372,876	520,098,507	10,382,389
2009-10	21.48	1,051,408,349	603,067,607	12,307,811
2010-11	21.39	1,051,408,349	667,154,843	13,395,188

Source: Multnomah County Division of Assessment and Taxation

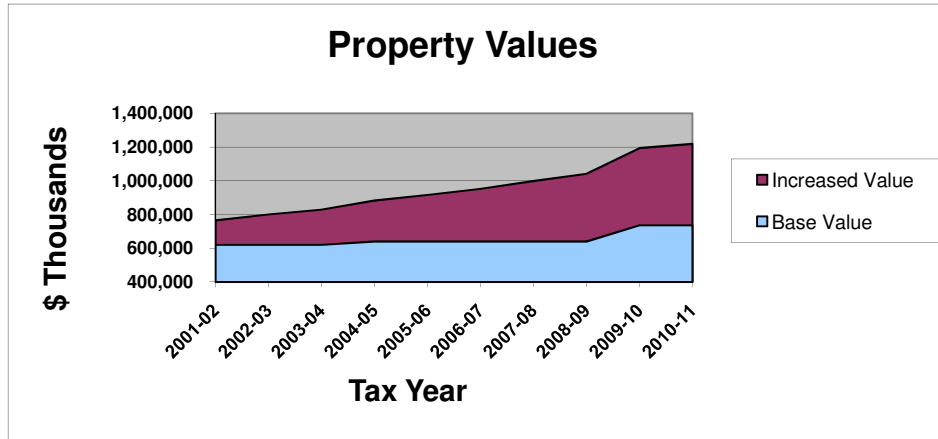
	URA		Portland	
	Current 2008	Projected 2013	Current 2008	Projected 2013
Population	30,307	31,057	557,614	704,957
Per Capita Income	\$ 19,760	\$ 22,613	\$ 30,317	\$ 35,277
Total Housing Units	12,592	12,999	255,949	267,407
Owner Occupied Housing Units	6,408	6,440	137,536	139,659
Renter Occupied Housing Units	5,036	5,282	100,748	107,606

Source: The 2008/2013 forecasted demographic figures have been derived using ESRI's Business Analyst Software. Forecasts are developed by incorporating all the Census 2000 data as well as using postcensus trends in the population which are captured from a variety of data sources and applied to the most accurate update for 2008. This change is then extrapolated five years to 2013. The 2008 update represents current events; the 2013 forecast illustrates the effects of current events and the expected recovery from the recession. PDC GIS

(1) Tax rate is the average, imputed tax rate based on Tax Revenue for Urban Renewal Debt (taxes imposed) and Increased Value.

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**LENTS TOWN CENTER URBAN RENEWAL FUND
PROPERTY VALUES, TAX INCREMENT, AND PROJECTED DEMOGRAPHICS
For The Last Ten Fiscal Years Or Since Inception
(Unaudited)**



Tax Year	Tax Rate ⁽¹⁾	Base Value	Increased Value	Tax Revenue for Urban Renewal Debt ⁽¹⁾
2001-02	\$ 21.47	\$ 620,720,135	\$ 144,345,122	\$ 2,919,877
2002-03	20.45	620,720,135	179,595,927	3,510,832
2003-04	21.66	620,720,135	208,029,051	4,205,914
2004-05	21.52	640,177,922	243,212,853	4,929,404
2005-06	19.91	640,177,922	275,822,211	5,249,632
2006-07	20.24	640,177,922	312,317,448	6,077,743
2007-08	21.44	640,177,922	358,801,970	7,375,650
2008-09	20.91	640,177,922	400,982,105	8,056,078
2009-10	21.40	736,224,033	457,950,622	9,344,988
2010-11	21.30	736,224,033	482,455,121	9,685,618

Source: Multnomah County Division of Assessment and Taxation

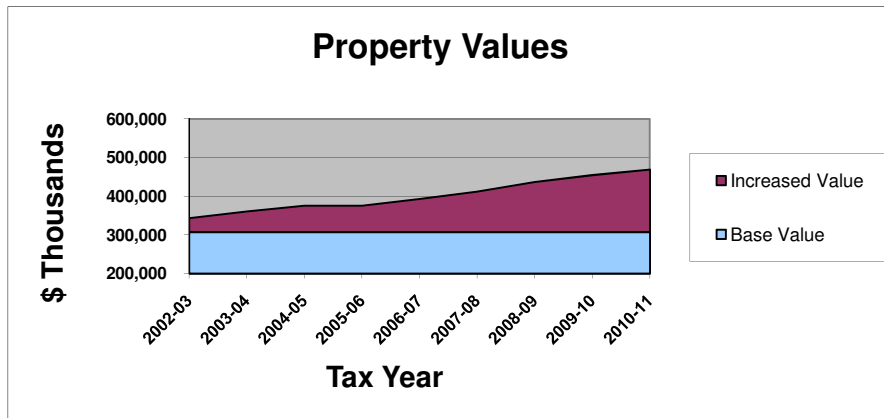
	URA		Portland	
	Current 2008	Projected 2013	Current 2008	Projected 2013
Population	25,983	26,996	557,614	704,957
Per Capita Income	\$ 19,128	\$ 22,113	\$ 30,317	\$ 35,277
Total Housing Units	10,392	10,856	255,949	267,407
Owner Occupied Housing Units	5,731	5,790	137,536	139,659
Renter Occupied Housing Units	3,852	4,153	100,748	107,606

Source: The 2008/2013 forecasted demographic figures have been derived using ESRI's Business Analyst Software. Forecasts are developed by incorporating all the Census 2000 data as well as using postcensus trends in the population which are captured from a variety of data sources and applied to the most accurate update for 2008. This change is then extrapolated five years to 2013. The 2008 update represents current events; the 2013 forecast illustrates the effects of current events and the expected recovery from the recession. PDC GIS

(1) Tax rate is the average, imputed tax rate based on Tax Revenue for Urban Renewal Debt (taxes imposed) and Increased Value.

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**GATEWAY REGIONAL CENTER URBAN RENEWAL FUND
PROPERTY VALUES, TAX INCREMENT, AND PROJECTED DEMOGRAPHICS
For The Last Ten Fiscal Years Or Since Inception
(Unaudited)**



Tax Year	Tax Rate ⁽¹⁾	Base Value	Increased Value	Tax Revenue for Urban Renewal Debt ⁽¹⁾
2002-03	\$ 19.70	\$ 307,174,681	\$ 35,847,381	\$ 681,489
2003-04	20.96	307,174,681	53,283,385	1,053,666
2004-05	20.86	307,174,681	68,476,163	1,356,824
2005-06	20.85	307,174,681	68,766,041	1,375,408
2006-07	21.07	307,174,681	86,192,591	1,751,370
2007-08	21.44	307,174,681	105,057,959	2,174,962
2008-09	20.91	307,174,681	129,631,176	2,623,998
2009-10	21.15	307,174,681	147,626,654	3,001,090
2010-11	20.97	307,174,681	162,221,215	3,228,472

Source: Multnomah County Division of Assessment and Taxation

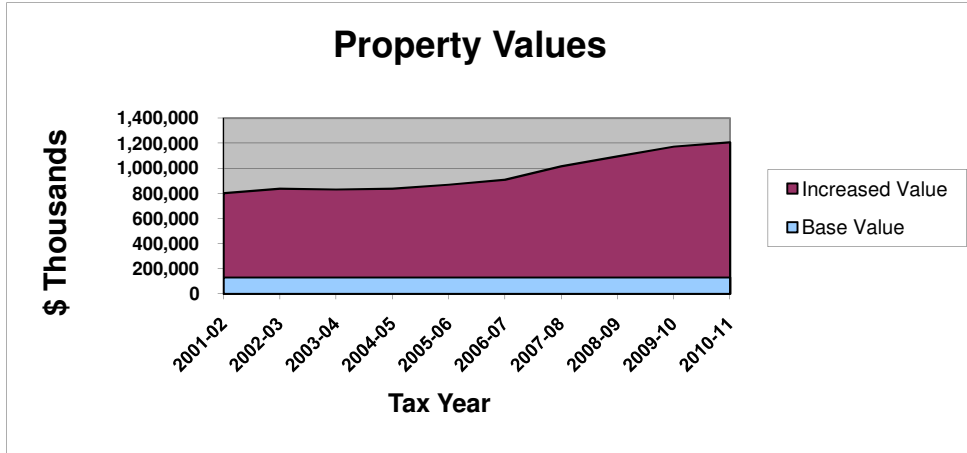
	URA		Portland	
	Current 2008	Projected 2013	Current 2008	Projected 2013
Population	6,108	6,647	557,614	704,957
Per Capita Income	\$ 22,322	\$ 25,291	\$ 30,317	\$ 35,277
Total Housing Units	2,761	3,026	255,949	267,407
Owner Occupied Housing Units	1,055	1,082	137,536	139,659
Renter Occupied Housing Units	1,440	1,635	100,748	107,606

Source: The 2008/2013 forecasted demographic figures have been derived using ESRI's Business Analyst Software. Forecasts are developed by incorporating all the Census 2000 data as well as using postcensus trends in the population which are captured from a variety of data sources and applied to the most accurate update for 2008. This change is then extrapolated five years to 2013. The 2008 update represents current events; the 2013 forecast illustrates the effects of current events and the expected recovery from the recession. PDC GIS

(1) Tax rate is the average, imputed tax rate based on Tax Revenue for Urban Renewal Debt (taxes imposed) and Increased Value.

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**AIRPORT WAY URBAN RENEWAL FUND
PROPERTY VALUES, TAX INCREMENT, AND PROJECTED DEMOGRAPHICS
For The Last Ten Fiscal Years Or Since Inception
(Unaudited)**



Tax Year	Tax Rate ⁽¹⁾	Base Value	Increased Value	Tax Revenue for Urban Renewal Debt ⁽¹⁾
2001-02	\$ 20.08	\$ 129,701,177	\$ 671,716,792	\$ 2,406,618
2002-03	19.94	129,701,177	708,692,948	2,392,481
2003-04	21.38	129,701,177	701,262,923	2,328,250
2004-05	21.02	129,701,177	708,712,135	2,347,588
2005-06	20.45	129,701,177	739,905,461	2,373,451
2006-07	20.33	129,701,177	779,770,869	2,389,518
2007-08	20.59	129,701,177	886,308,606	2,386,745
2008-09	19.99	129,701,177	965,779,764	2,390,141
2009-10	20.55	129,701,177	1,043,109,736	2,374,741
2010-11	20.34	129,701,177	1,077,899,700	2,340,489

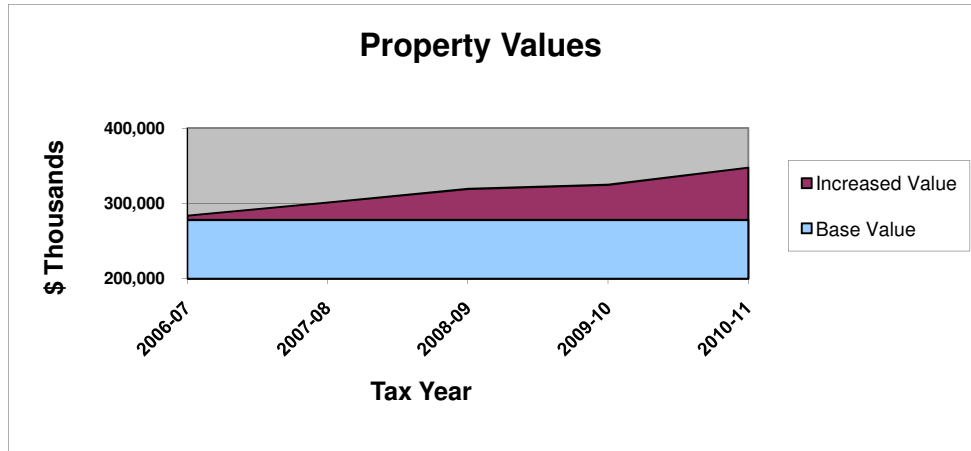
Source: Multnomah County Division of Assessment and Taxation

Population and housing data are not included for Airport Way Urban Renewal Area because it is primarily an industrial area.

(1) Tax rate is the average, imputed tax rate based on Tax Revenue for Urban Renewal Debt (taxes imposed) and Increased Value.

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**WILLAMETTE INDUSTRIAL URBAN RENEWAL FUND
PROPERTY VALUES, TAX INCREMENT, AND PROJECTED DEMOGRAPHICS
For The Last Ten Fiscal Years Or Since Inception
(Unaudited)**



Tax Year	Tax Rate ⁽¹⁾	Base Value	Increased Value	Tax Revenue for Urban Renewal Debt ⁽¹⁾
2005-06	\$ 0.00	\$ 278,034,345	\$ -	\$ -
2006-07	15.15	278,034,345	5,655,915	85,706
2007-08	16.84	278,034,345	23,273,744	391,905
2008-09	17.92	278,034,345	41,284,536	739,979
2009-10	18.03	278,034,345	46,707,594	842,243
2010-11	17.63	278,034,345	69,552,044	1,226,407

Willamette Industrial URA consists of Multnomah County tax districts 730 and 731. Only data for tax district 731 is shown. Tax district 730 has a frozen tax base of \$203,408,790, and assessed property values for this district decreased by \$122,340,860 from fiscal year 2005-06 through 2010-11.

Source: Multnomah County Division of Assessment and Taxation

Population and housing data are not included for Willamette Industrial Urban Renewal Area because it is primarily an industrial area.

(1) Tax rate is the average, imputed tax rate based on Tax Revenue for Urban Renewal Debt (taxes imposed) and Increased Value.

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**Financial Assistance
For The Last Ten Fiscal Years
(Unaudited)**

<u>Fiscal Year</u>	<u>Business Financial Assistance</u>	
	<u>Number of loans and grants</u>	<u>Dollar Amount</u>
2001-02	24	\$ 4,058,226
2002-03	25	5,767,290
2003-04	42	7,148,345
2004-05	52	10,590,559
2005-06	59	14,505,900
2006-07	54	12,466,365
2007-08	47	5,499,620
2008-09	258	15,391,215
2009-10	269	10,631,493
2010-11	264	33,764,995

Source: Commission loan system.

Notes: Financial assistance may include assistance for building repair, facility expansion, new equipment, storefront improvements, or working capital as well as a myriad of other small assistance programs.

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**TOTAL PERSONAL INCOME, PER CAPITA INCOME,
POPULATION TRENDS, AND UNEMPLOYMENT RATES
PORTLAND/VANCOUVER/BEAVERTON MSA, OREGON, AND THE UNITED STATES
2000 to 2010
(Unaudited)**

Year	Personal Income (Millions)			Per Capita Income		
	Portland/ Vancouver/ Beaverton MSA	Oregon	U.S. Total	Portland/ Vancouver/ Beaverton MSA	Oregon	U.S. Total
2001	63,933	99,020	8,716,992	32,353	28,507	30,574
2002	64,909	101,882	8,872,871	32,255	28,924	30,810
2003	65,959	103,890	9,157,257	32,328	29,161	31,484
2004	69,853	109,757	9,705,504	33,875	30,561	33,050
2005	73,806	116,889	10,251,639	35,215	32,103	34,586
2006	79,399	124,589	10,870,319	37,145	33,666	36,307
2007	83,765	133,871	11,652,339	38,511	35,027	38,632
2008	87,053	136,277	12,086,534	39,436	35,956	39,751
2009	86,822	141,933	12,462,673	39,443	36,125	39,626
2010	90,654	146,521	12,975,924	NOT AVAILABLE	NOT AVAILABLE	NOT AVAILABLE

Sources: U.S. Department of Commerce, Bureau of Economic Analysis as of 9/30/10
Oregon Office of Economic Analysis

Year	POPULATION TRENDS				UNEMPLOYMENT RATES	
	Portland ⁽¹⁾	Portland/ Vancouver/ Beaverton MSA ⁽¹⁾	Oregon ⁽¹⁾	U.S. Total ⁽¹⁾	Portland Unemployment % Rate ⁽²⁾	Oregon Unemployment %Rate ⁽²⁾
2001	534,689	1,960,500	3,474,183	285,226,284	5.8	6.2
2002	538,095	1,989,550	3,523,529	288,125,973	7.8	7.5
2003	538,843	2,019,250	3,561,155	290,796,023	9.0	8.5
2004	532,742	2,050,650	3,589,168	293,638,158	7.2	7.4
2005	533,467	2,082,240	3,638,871	296,507,061	6.1	6.4
2006	537,081	2,137,540	3,700,758	299,398,484	5.2	5.3
2007	568,380	2,159,720	3,745,455	301,621,157	4.9	5.2
2008	557,706	2,207,462	3,790,060	304,059,724	5.8	5.4
2009	582,130	2,241,841	3,825,657	307,006,550	11.0	11.6
2010	583,835	2,235,580	3,844,195	308,745,538 ⁽³⁾	10.5	10.8

Source: ⁽¹⁾ U.S. Department of Commerce, Bureau of Economic Analysis as of 9/30/10
Oregon Office of Economic Analysis

⁽²⁾ Oregon Employment Department

⁽³⁾ US Census 2010

Board of Commissioners

Executive Director
135.3 Total FTE / 3.0 Total LTE

STRATEGY AND OPERATIONS
2 FTE
Operations
Strategy

BUSINESS AND SOCIAL EQUITY
2 FTE
MWESB
Workforce Diversity

LEGAL
6 FTE
General Counsel

FINANCE & BUSINESS OPERATIONS
58 FTE / 2 LTE
Business Operations
Finance & Accounting
Human Resources
Information Technology

GOVERNMENT RELATIONS / PUBLIC AFFAIRS
9 FTE / 1 LTE
Community Relations
Public Affairs
Resource Development / URA Planning

URBAN DEVELOPMENT DEPARTMENT
58.3 FTE
Business & Industry
Central City
Neighborhood

NOTE: FTE=Full Time Employee; LTE=Limited Term Employee

**PORTLAND DEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF PORTLAND, OREGON**

**MISCELLANEOUS STATISTICS
As of June 30, 2011
(Unaudited)**

Date of Charter Amendment creating agency

May 16, 1958

Form of Government

Commission, Appointed by City Mayor
Approved by City Council

Number of Employees:

As of June 30	FY2006-07		FY2007-08		FY2008-09		FY2009-10		FY2010-11	
	FTE	LTE	FTE	LTE	FTE	LTE	FTE	LTE	FTE	LTE
Development	42.5	1.0 ⁽¹⁾	42.5	1.0	42.5	1.0	0.0	0.0	0.0	0.0
Urban Development	0.0	0.0	0.0	0.0	0.0	0.0	71.1	3.0 ⁽³⁾	58.3	0.0
Economic Development	26.0	0.0 ⁽¹⁾	26.0	0.0	30.0	0.0	0.0	0.0	0.0	0.0
Housing	42.0	1.0 ⁽¹⁾	42.0	1.0	42.0	1.0	37.0	1.0	0.0	0.0 ⁽⁴⁾
Executive	11.0	0.0 ⁽¹⁾	42.0	0.0 ⁽²⁾	42.0	0.0	42.0	2.0	0.0	0.0
Central Services	55.0	0.0 ⁽¹⁾	60.0	0.0 ⁽²⁾	66.0	0.0	63.0	0.0	0.0	0.0
Community Relations &										
Business Equity	8.0	0.0 ⁽¹⁾	0.0	0.0 ⁽²⁾	0.0	0.0	0.0	0.0	0.0	0.0
People & Technology	28.0	0.0 ⁽¹⁾	0.0	0.0 ⁽²⁾	0.0	0.0	0.0	0.0	0.0	0.0
Resource Development	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Finance & Business Operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	58.0	2.0 ⁽⁴⁾
Government Relations &										
Public Affairs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9.0	1.0 ⁽⁴⁾
Strategy & Operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0	0.0 ⁽⁴⁾
Business & Social Equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0	0.0 ⁽⁴⁾
Legal	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.0	0.0 ⁽⁴⁾
Total	212.5	2.0	212.5	2.0	222.5	2.0	213.1	6.0	135.3	3.0

- (1) In FY 2006-07 Department reorganization resulted in staffing redistribution between Executive & Legal and Finance & Administration to the newly created departments of; Central Services, Community Relations & Business Equity, and People & Technology. Additionally 35 LTE positions were transferred to FTE.
- (2) In FY2007-08 Department reorganization resulted in staffing redistribution between Executive and Central Services of the former People & Technology and Community Relations & Business Equity Departments.
- (3) In FY 2009-10 the previously named Development and Economic Development Departments were merged into the Urban Development Department.
- (4) In FY 2010-11 the Housing function was transferred to the Portland Housing Bureau, the Central Service Department was renamed Finance & Business Operations, and the former Executive Department was split into the Government Relations & Public Affairs, Strategy & Operations, Business & Social Equity, and Legal Departments.

**Urban Renewal District Land Area and Base Values
As of June 30, 2011**

District	Acres	Base Value
Airport Way*	1,841	\$ 129,701,177
Central Eastside	692	224,626,739
Convention Center Area	410	248,951,143
Interstate Corridor	3,990	1,051,408,349
Lents Town Center	2,846	736,224,033
North Macadam	402	192,609,397
River District	351	461,577,974
South Park Blocks	156	376,066,574
Gateway	659	307,174,681
Downtown Waterfront	233	55,674,313
Willamette Industrial	756	481,443,135
Total URA Land Data	12,336	\$ 4,265,457,515
Total City Land Data	92,768	\$ 41,320,384,192
Urban Renewal Land as a Percentage of City Total	13.3%	10.3%

* the frozen base reflects the value from fiscal year 2010-11 and will not be adjusted until the November 2011 tax assessment is completed

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Audit Comments and Disclosures_____

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REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*.

Board of Commissioners, Portland Development Commission
Portland Development Commission, Portland Oregon
(A Component Unit of the City of Portland)

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Portland Development Commission (a Component Unit of the City of Portland Oregon) (the Commission) as of and for the year ended June 30, 2011, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated December 9, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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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. We consider the deficiency described as finding 2011-1 in the accompanying Schedule of Findings and Responses to be a significant deficiency.

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Commission in a separate letter dated December 9, 2011.

The Commission's responses to the findings identified in our audit are described in a separate letter. We did not audit the Commission's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Commissioners, management, state agencies and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Moss Adams, LLP

Eugene, Oregon
December 9, 2011

**PORTLAND DEVELOPMENT COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2011**

FINDING 2011-01 – Classification of Fund Balance – Governmental Funds – Significant Deficiency in Controls

Criteria: Effective for periods beginning after June 15, 2010, GASBS No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, significantly changed the classifications and reporting requirements for governmental fund balances based on the level of constraint associated with resources on hand at year-end. As part of our audit procedures we evaluated whether the Commission's governmental fund balances were properly reported in accordance with the Statement.

Condition: From our testing procedures on the classification assertion of fund balances, we identified \$34.4 million improperly classified as 'committed' fund balance in several governmental funds that met the requirement to be reported as either 'restricted' or 'assigned' fund balance. Management made the corrections upon notification of the issue.

Context: The Commission had a total of \$225.6 million of ending fund balance within its governmental funds as of June 30, 2011. Of the \$225.6 million \$34.4 million was reported as 'committed', when it actually met the requirements to be reported as 'restricted' and 'assigned'.

Cause: Management misinterpreted how to report the level of constraint from encumbrances outstanding at year-end. Upon our asking questions and performing audit procedures on the fund balance classifications, management had an opportunity to review the guidance within GASB No. 54 and found that encumbrances do not create a constraint or constitute a 'commitment', and should be reported within the fund balance classifications based on the underlying constraints associated with resources used to honor the encumbrances.

Effect: The issue had no effect on total fund balance, assets or liabilities, or revenues and expenditures reported in the governmental fund financial statements. Prior to the reclassification made by management, \$34.4 million of fund balance within the various governmental funds was incorrectly reported as committed fund balance. After the adjustments made by management, no fund balance was reported as 'committed' and restricted fund balance was increased by \$31.3 to \$220.5 million and the assigned fund balance was increased to \$3.1million.

Recommendation: Management has received training and is aware of the new fund balance reporting requirements. However, additional training sessions on 'lessons learned' from other organizations' implementation of this new standard might be of value to finance staff.

Management Response: Management responses will be included in a separately issued 'Management's Responses' document.

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH OREGON AUDITING STANDARDS

Board of Commissioners, Portland Development Commission
Portland Development Commission, Portland Oregon
(A Component Unit of the City of Portland)

We have audited the basic financial statements of the Portland Development Commission (a Component Unit of the City of Portland Oregon) (the Commission), as of and for the year ended June 30, 2011, and have issued our report thereon dated December 9, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Oregon Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

Compliance

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

- The accounting records and related internal control structure.
- The use of various depositories to secure the deposit of public funds.
- The requirements relating to debt.
- The requirements relating to the preparation, adoption and execution of the annual budgets for fiscal years 2011 and 2012.
- The requirements relating to insurance and fidelity bond coverage.
- The appropriate laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies.
- The statutory requirements pertaining to the investment of public funds.
- The requirements pertaining to the awarding of public contracts and the construction of public improvements.

MOSS ADAMS_{LLP}**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH OREGON AUDITING STANDARDS – (continued)**

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 other than the following that are required to be reported under Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State, except as noted below.

As described in Note II, Stewardship, Compliance, and Accountability, the results of our testing indicated instances of non-compliance related to excess expenditures over appropriations in the Other Federal Grants Fund.

Internal Control Over Financial Reporting

Management of the Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our 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.

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.

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

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A reclassification entry was required to correctly report fund balances identified by management as necessary to honor encumbrances from 'committed' to 'restricted' and 'assigned' within the various governmental funds as of June 30, 2011. See finding 2011-01 in the Schedule of Findings accompanying the Government Auditing Standards report on internal controls and compliance.

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Commission in a separate letter dated December 9, 2011.

This report is intended solely for the information of the Board of Commissioners, management, and the State of Oregon and is not intended to be and should not be used by anyone other than those specified parties.



James C. Lanzarotta, Partner
for Moss Adams LLP
Eugene, Oregon
December 9, 2011



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To the Audit Committee of the
Portland Development Commission, Portland Oregon
(A Component Unit of the City of Portland), and
LaVonne Griffin-Valade, Auditor, City of Portland

We have audited the financial statements of the Portland Development Commission (a Component Unit of the City of Portland, Oregon) (the "Commission"), as of and for the year ended June 30, 2011, and have issued our report thereon dated December 9, 2011. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

Our responsibility, as described by professional under auditing standards generally accepted in the United States of America is described in the first two paragraphs of the "Independent Auditor's Report." Paragraph one explains our responsibility is to express an opinion on the financial statements based on our audit. Paragraph two explains that we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we considered the Commission's internal control solely for the purposes of determining our audit procedures and not to provide assurance concerning such internal control.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. Because an audit is designed to provide reasonable assurance, but not absolute assurance, and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. We believe that our audit provides a reasonable basis for our opinion.

As part of our audit, we addressed Statement on Auditing Standards No. 99, *Consideration of Fraud in a Financial Statement Audit* (SAS 99). This statement requires audit team members, as part of planning the audit, to have discussions to consider how and where the Commission's financial statements might be susceptible to material misstatements due to fraud. To properly identify, discuss, and assess the risk of material misstatements due to fraud, we made in-depth inquiries of management and obtained significant information regarding the Commission's operations and controls established to mitigate specific fraud risks that have been identified. Our assessment was an ongoing process throughout the audit. Based on the procedures we

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Portland Development Commission, Portland Oregon
(A Component Unit of the City of Portland)
Board of Commissioners
Page 2

performed, nothing came to our attention that might indicate that material fraudulent activities had occurred at the Commission.

We are also responsible for communicating significant matters related to the financial statement audit that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope as previously communicated to you in the Audit Committee meeting held on August 2, 2011. The timing of our audit was delayed roughly two weeks to allow management more time to accurately prepare certain schedules necessary to facilitate our audit procedures, and to allow more time to draft the financial statements. The actual performance of our audit procedures during the planning and fieldwork stages of the audit went fairly smoothly. We found management to be reasonably well prepared for our audit, responsive to our questions, and met the revised timelines as noted above.

The financial statements were completed accurately and issued before the December 31, 2011 due date to the State of Oregon.

SIGNIFICANT AUDIT FINDINGS

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Commission are described in Note 1 to the financial statements. There was only one change in the application of accounting policies during 2011. As described in Note I.D.8 to the financial statements, the Commission implemented a new accounting policy related to fund balance reporting for governmental funds by adopting Statement of Governmental Accounting Standards (GASB) No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011. Under this policy, the Commission's fund balances were reported within the following classifications of nonspendable, restricted, committed, assigned, or unassigned.

We noted no transactions entered into by the Commission during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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Portland Development Commission, Portland Oregon
(A Component Unit of the City of Portland)
Board of Commissioners
Page 3

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. These judgments are based upon knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

In preparing the Commission's financial statements, material estimates that are particularly susceptible to significant change relate to the determination of the allowance for discounts and uncollectible loans and other receivables, useful lives of property and equipment, claims liability, employee benefit plan accruals, overhead allocations, and pollution remediation costs. Based upon our audit procedures, we concur with the significant estimates and assumptions made by management in the preparation of the financial statements.

Financial Statement Disclosures

The disclosures in the financial statements are consistent, clear and understandable. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were those related to pension disclosures and the Commission's environmental liability.

Significant Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Significant Audit Adjustments Made

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

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Audit Adjustments Made: The Commission initially reported on the governmental funds balance sheet committed fund balances of \$31,322,662. As a result of our audit procedures and additional analysis of Commission personnel, the reported balances in the financial statements were revised to reclass this amount to the restricted fund balance.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 9, 2011.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Commission's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

OTHER MATTERS

Lawson Access. We noted during our testing of the payroll cycle, that a payroll accounting analyst had access to change the human resource information of other employees.

Recommendation: We recommend that Commission management evaluate the current access privileges for payroll and other non-human resource employees and determine if

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those levels of access are required for daily job duties, and access rights be limited where possible and appropriate.

Changes to the Budget After Initial Adoption. We noted that there were three significant changes to the fiscal year 2011 budget after its initial adoption. Local budget law, as provided for in the Oregon Revised Statutes (ORS), specifies the varying actions necessary to legally make these budgetary changes depending on the nature and dollar amount of changes to individual funds. Changes increasing appropriations by 10% or more require notifications and a public hearing similar to the process required for the initial budget adoption. Smaller increases and changes necessary as a result of receiving certain revenues unknown at the time of the initial budget adoption can be approved at a regular Commission meeting without completing all notifications and public hearing processes as required for initial budget adoptions. We found that the resolutions memorializing the Commission's approval for budgetary changes after the initial adoption were not specific as to what ORS provisions were applicable to the nature and dollar amount of the change. It is customary practice to cite the ORS provisions that apply to a particular budget modification to demonstrate that the appropriate actions were taken for the budget change to have legal standing.

Recommendation. We recommend that the resolutions memorializing the Commission's approval for budgetary changes after initial adoption cite the specific ORS provision applicable to the budgetary change. This will allow management to determine that the appropriate public notifications, public hearings, and information to be included within the resolution, meet the requirements for the type and size of the budgetary change being approved.

Prior Year Other Matters

Duplicate Vendors. We noted during prior year testing of expenses that there are duplicate vendors set up in the Lawson system. While management provided a reasonable explanation for many of the duplicate vendors identified, there were several vendors identified that create additional risk of duplicate payments being made in error. In the prior two years we have made a similar comment with regard to the general accounts payable system.

Status: The Commission has removed the duplicate vendors identified in the prior year. We did not find any duplicate vendors in our follow-up testing in the current year audit. Therefore, we consider the issue to be resolved.

Property Held for Sale Valuation Analysis. As discussed in prior years, the Commission has a process in place to determine if a valuation adjustment is necessary for property held for sale that is impaired or has otherwise experienced a significant decline in its fair value requiring recognition in the financial statements. Specifically, the Commission utilizes the County's real market value as a valuation comparison to the book value. However, the County records are not considered sufficient enough on its own to be the only data utilized to assess for property

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impairment and write-downs.

Status: The Commission has implemented a policy requiring at least annual analysis of zoning changes, changed intent of the Commission for the ultimate use of properties, and periodic appraisals from qualified appraisers, supplementing County assessed values. Therefore, we consider the issue to be resolved.

Loans Receivable. We noted during the previous audits, that when testing loans receivable, not all address and other information provided on returned confirmations agreed with the Commissions records.

Status: Management has improved monitoring of the accounts during the year, as a result the confirmations in the current year agreed with the Commission's records. Therefore, we consider the issue to be resolved.

Financial Close & Reporting Procedures. We noted during the prior year audit that the Commission's accounting department's formal policies and procedures do not include steps to identify contracts, commitments, and contingencies that are entered into.

Status: The Commission implemented a new policy in the current year to facilitate better identification and communication of contracts and commitments. Therefore, we consider the issue to be resolved.

* * * * *

We would like to express our gratitude for the assistance provided to us by Faye Brown, Catherine Kaminski, and the rest of the staff at the Commission during the course of our audit. We found them to be courteous, conscientious, and responsive to our requests.

This letter is intended solely for the use of the Audit Committee, the Board of Commissioners, management, and the City Auditor, and is not intended and should not be used by anyone other than these specified parties. On behalf of all of us at Moss Adams LLP, thank you for the opportunity to be of service to you and the Portland Development Commission of Oregon.

Moss Adams, LLP

Eugene, Oregon
December 9, 2011

Responses to Moss Adams Management Letter for Audit Committee

The internal operations areas identified in the Moss Adams Management Letter and the PDC staff responses are as follows below.

Significant Audit Adjustments Made

Professional Standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

Audit Adjustments Made: The Commission initially reported on the governmental funds balance sheet committed balances of \$31,322,662. As a result of our audit procedures and additional analysis of Commission personnel, the reported balances in the financial statements were revised to reclass this amount to the restricted fund balance.

Recommendation: Management has received training and is aware of the new fund balance reporting requirements. However, additional training sessions on “lessons learned” from other organizations’ implementation of this new standard might be of value to finance staff.

Management Response: Management agrees that a misstatement occurred in the initial draft of the financial statements. This was caused by reporting subsequent year’s expenditures as committed fund balance in funds whose resources are restricted. Per GASB 54 (newly implemented this year) fund balance retains the constraints associated with the resources, consequently there should be no fund balance less constrained than restricted in funds where the resources are restricted. This presentation was a change from prior reporting, the result of an error in the roll up of the fund balances. This was a presentation adjustment that had no effect to the underlying transactions nor to the total fund balance of these funds.

Other Matters

Lawson Access. We noted during our testing of the payroll cycle, that a payroll accounting analyst had access to change the human resource information of other employees.

Recommendation: We recommend that Commission management evaluate the current access privileges for payroll and other non-human resource employees and determine if those levels of access are required for daily job duties, and access rights be limited where possible and appropriate.

Management Response: Management agrees that payroll personnel should not have access to change the human resource information of other employees. Upon review, it was discovered that this was a known ‘bug’ in the Lawson software and that a patch was available to correct the situation. The patch has been installed and tested and changes such as those observed during the audit testing are no longer permissible by payroll personnel.

Changes to the Budget After Initial Adoption. We noted that there were three significant changes to the fiscal year 2011 budget after its initial adoption. Local budget law, as provided for in the Oregon Revised Statutes (ORS), specifies the varying actions necessary to legally make these budgetary changes depending on the nature and dollar amount of changes to individual funds. Changes increasing appropriations by 10% or more require notifications and a public hearing similar to the process required for the initial budget adoption. Smaller increases and changes necessary as a result of receiving certain revenues unknown at the time of the initial budget adoption can be approved at a regular Commission meeting without completing all notifications and public hearing processes as required for the initial budget adoptions. We found that the resolutions memorializing the Commission’s approval for budgetary changes after the initial adoption were not specific as to what ORS provisions were applicable to the nature and dollar amount of the change. It is customary practice to cite the ORS provisions that apply to a particular budget modification to demonstrate that the appropriate actions were taken for the budget change to have legal standing.

Recommendation. We recommend that the resolutions memorializing the Commission’s approval for budgetary changes after initial adoption cite the specific ORS provision applicable to the budgetary change. This will allow management to determine that the appropriate public notifications, public hearings, and information to be included within the resolution, meet the requirements for the type and size of the budgetary change being approved.

Management Response. Management agrees that additional specificity in the budget amendment resolutions to be useful. Future budget amendments will include the specific Oregon Budget Law citation that is applicable to the type of amendment being brought forward.

Conclusion

In closing, the comments and suggestions provided by the external auditor each year are highly appreciated by management. We continue to find value in this feedback and will endeavor to implement appropriate policies and procedures in response. Finally, we welcome additional feedback and guidance from the PDC Audit Committee on these and other issues.

PDC

PORTLAND DEVELOPMENT COMMISSION

Resolution Number 6917

Title:

ACCEPT AND APPROVE COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR 2010-2011 AS REQUIRED BY OREGON REVISED STATUTE 297.425, PORTLAND CITY CHARTER CHAPTER 15-104, AND PDC RESOLUTION NO. 6112

Adopted by the Portland Development Commission on January 11, 2012.

PRESENT FOR VOTE	COMMISSIONERS	VOTE		
		Yea	Nay	Abstain
<input checked="" type="checkbox"/>	Chair Scott Andrews	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Commissioner Aneshka Dickson	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Commissioner John Mohlis	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Commissioner Steven Straus	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Commissioner Charles Wilhoite	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Consent Agenda		<input checked="" type="checkbox"/> Regular Agenda		

Certification

The undersigned hereby certifies that:

The attached resolution is a true and correct copy of the resolution as finally adopted at a Board Meeting of the Portland Development Commission and duly recorded in the official minutes of the meeting.



Recording Secretary

Date: January 11, 2012.