

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

**RESOLUTION NO. 6558**

**ACCEPT AND APPROVE COMPREHENSIVE ANNUAL  
FINANCIAL REPORT FOR FISCAL YEAR 2006-2007 AS  
REQUIRED BY PORTLAND CITY CHARTER CHAPTER 15-104  
AND PDC RESOLUTION NO. 6112.**

**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**, authority has been delegated by the Portland Development Commission Board of Commissioners ("Board") 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 2006-07;

**WHEREAS**, based upon the independent audit, Moss Adams has audited a Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2007 ("2006-07 CAFR"), and prepared (i) a letter discussing significant matters of interest noted during the course of the annual fiscal year end audit for fiscal year 2006-07 ("Significant Matters Letter"); and (ii) a Communication on Internal Controls; and

**WHEREAS**, management has prepared responses to the Significant Matters Letter ("PDC Management Responses") and the Communication on Internal Controls.

**NOW, THEREFORE, BE IT RESOLVED** that the Audit Committee hereby accepts and approves the 2006-07 CAFR in substantially the form attached hereto as Exhibit A on behalf of the Commission;

**BE IT FURTHER RESOLVED** that the Audit Committee hereby endorses the PDC Management Responses attached hereto as Exhibit B and C; and

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

**Adopted by the Portland Development Commission on February 13, 2008.**

  
\_\_\_\_\_  
Renee A. Castilla, Recording Secretary

# PORTLAND DEVELOPMENT COMMISSION



## Comprehensive Annual FINANCIAL REPORT

*for the*  
Fiscal Year Ended June 30, 2007

A Component Unit of the  
City of Portland, Oregon

*Investing in  
Portland's Future*

**PDC**  
PORTLAND  
DEVELOPMENT  
COMMISSION

On the Cover:  
UNDER THE AUTUMN MOON FESTIVAL  
2006

Culminating a planning process that began December 2005, the Portland Development Commission (PDC) spearheaded an effort in September 2006 to celebrate the \$5.3 million in streetscape improvements in Old Town/Chinatown (OTCT). More than 35,000 people attended the two and a half-day public event, called "Under the Autumn Moon." The festivities kicked off Friday evening, September 29, with a ribbon cutting on NW Davis Street. A full day of activities and events began Saturday, September 30, with a parade (including grand marshal Mayor Tom Potter), two non-stop music stages, food booths, cooking demonstrations, a global bazaar, tours of the district, an outdoor movie and a fireworks display. Events continued on Sunday, October 1, when the Chinese Classical Garden was open for free all day.

Restaurants and businesses in OTCT participated by inviting crowds in to sample foods and wares. Many of the restaurants were packed throughout the event. Many people attending were from the Chinese community, some of whom had not been in Old Town/Chinatown for years.

We hope this will be the first of many such events on the new festival streets and that those who attended the Under the Autumn Moon Festival will return often.

The vision for the streetscape improvements was to strengthen the identity of the historic district, foster cultural and economic diversity, and promote a vibrant pedestrian environment for commercial, retail and residential uses. The improvements brought new streets, sidewalks, hundreds of new trees, new streetlights and public art to Old Town/Chinatown. The new streetscape was a joint project of the Portland Office of Transportation, PDC and the OTCT neighborhood.

Cover Photo: Fireworks on Saturday night taken from inside the Portland Classical Chinese Garden (photo by ©Loren Nelson).

*Investing in Portland's Future*

**PDC**  

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**PORTLAND DEVELOPMENT COMMISSION**

# **PORTLAND DEVELOPMENT COMMISSION**

A Component Unit of the City of Portland, Oregon

# **Comprehensive Annual Financial Report**

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**Prepared by the Portland Development Commission  
Central Services Department**

Bruce A. Warner, Executive Director  
Julie V. Cody, Interim Central Services Director

For the fiscal year ended June 30, 2007



# About PDC

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## ***Where We've Been...***

## ***Where We're Headed...***

In 1958, Portland voters created the Portland Development Commission (the "Commission" or "PDC") as the City agency to deliver projects and programs which achieve the City's housing, economic development, and redevelopment priorities and link citizens to jobs. Specifically, the Commission is the City agency that helps provide sustained livability for our City and region and has played a major role in keeping Portland one of America's most livable cities.

### ***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 21<sup>st</sup> Century city; a city in which economic prosperity, quality housing, and employment opportunities are available to all. We will leverage PDC's resources and innovative capacity systematically and selectively to become the Portland region's housing, economic development, and public development agency of choice. We will do this by providing service and product leadership to current and potential customers and generating "top line" for city government. This includes building the organization foundation, work environment, and incentives that will support this vision. It also includes a commitment to continuous improvement of all that we do and providing the highest possible quality service to our customers.*

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\_\_\_\_\_

# PDC

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PORTLAND  
DEVELOPMENT  
COMMISSION

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*Investing in  
Portland's Future*

**PDC**

**PORTLAND DEVELOPMENT COMMISSION**

December 21, 2007

Mark Rosenbaum  
*Commission Chair*

Bertha Ferrán  
*Commissioner*

Sal Kadri  
*Commissioner*

John C. Mohlis  
*Commissioner*

Charles A. Wilhoite  
*Commissioner*

Tom Potter  
*Mayor*

Bruce A. Warner  
*Executive Director*

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

The Central Services Department and I are pleased to submit the Portland Development Commission ("PDC" or "Commission")'s Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2007. 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 (the 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 2006-07 financial statements. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified (clean) opinion that PDC's financial statements for the fiscal year ended June 30, 2007, 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.

[www.pdc.us](http://www.pdc.us)

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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's principal activities are business retention, employment creation, financial assistance for rehabilitation and restoration of properties, and the acquisition of real property for the purpose of removing or preventing blight, and for building improvements. 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 set PDC apart and assures that true efficiencies are achieved. In carrying out city policy for the past 49 years, 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 (URAs) 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 project and program activities at the departmental level is critical to PDC plans for the future. In accordance with Oregon Local Budget Law, the proposed annual budget is presented to the Commission for review, adoption, and subsequent amendment as necessary. The appropriated budget is prepared by fund and department for all funds. The legal level of appropriation is at the department level. Transfers within a fund as needed are allowable with approval from the Commission.

### **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 department 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 20% of local jobs.

The Portland metropolitan area population growth trend is consistent with the State of Oregon rate of 1.6% for the year ending July 1, 2006, which includes the most recently published data. The one-year increase was the largest since 1997. In 2006, the Portland-Vancouver Metropolitan Statistical Area became the nation's 23rd largest metropolitan area. The area is expected to continue to absorb a proportionate percentage of state job growth over the next ten years. The Portland Metropolitan Area ended June 2007 with 5.3% unemployment which continues to be higher than the national level of 4.6%, but slightly lower than the State of Oregon rate of 5.5%. Oregon's Employment Department states in their Oregon Labor Market Information System (OLMIS) July 2007 report that Portland continued to add jobs but at the slowest pace in over three years.

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 9.3% of the City of Portland's total overall assessed value and 14.1% of overall acreage for the City. Each of the eleven URAs are currently projected to have adequate funding capability to pursue established plans.

The Willamette Industrial URA was established in November 2004 and, at that time, project work was budgeted to begin in the fiscal year ending June 30, 2007. As no projects actually began during the year, no budget was been allocated for fiscal year 2007, and the Five Year Budget Projection now forecasts project work beginning in fiscal year 2008.

### **Long-term Financial Planning**

The long-term forecast for PDC is stable. 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 into the foreseeable future.

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.

### **Aging of Existing Urban Renewal Areas**

Airport Way - The budget for the Airport Way Urban Renewal Area is limited because this district has reached its maximum indebtedness and cannot incur additional tax increment debt proceeds. Total requirements for Airport Way in FY 2007-08 are budgeted at \$5.9 million. The resource backing these expenditures is Beginning Fund Balance of funds not expended in FY 2006-07.

Central Eastside - This was the next district to approach its last date for issuance of tax increment debt, in August 2006. A study was conducted, led by a PDC Commissioner and entailing significant public involvement, to examine the advisability of extending the life and/or boundaries of the district. In July 2006, the Portland City Council voted to extend the district another 12 years and to increase the maximum indebtedness by \$51 million. Total requirements for Central Eastside in FY 2007-08 are budgeted at \$11 million.

Other Urban Renewal Areas - The Urban Renewal Plan for Downtown Waterfront and the Plan for South Park Blocks state that no bonded indebtedness may be issued after April 2008 and July 2008, respectively. The fiscal year 2007-08 Budget includes four bond sales, Downtown Waterfront and South Park Blocks, as well as River District and Convention Center. Currently, a multi-agency committee with public representation is considering the questions of whether to extend the last date to issue debt for the Downtown Waterfront and South Park Blocks Urban Renewal Areas. They are also considering the possible physical expansion of River District by up to the legal limit of 61 acres as well as whether to increase the level of maximum indebtedness. Lents Town Center Urban Renewal Area is considering possible amendments to expand its boundaries and increase the last date to issue debt.

### **Major Initiatives**

Major initiatives cited in this section are highlights based on budgeted project dollars for the fiscal year ending in June 2008. The largest dollar projects are proposed to occur in the Downtown Waterfront Urban Renewal Area in the form of three Development Department projects; \$3.1 million to stimulate historic rehabilitation and commercial and residential infill consistent with the Ankeny Bridgehead Development Framework; an additional \$5.4 million for funding of the City of Portland Parks Department to complete public improvements at Waterfront Park at Ankeny Street, including under the Burnside Bridge to reinforce private development and the relocation of the Portland Saturday Market; and \$9 million for Multnomah County to create a new block for development of a County Courthouse by relocating the Hawthorne Bridge ramp further north.

In the North Macadam Urban Renewal Area, the highest profile projects will be: \$6 million for the negotiation of a disposition, development and financing agreement for the development of approximately 200 units of new affordable rental housing; \$2.8 million to oversee and coordinate design and construction of the 1,300-foot Phase I design project in the Central District in conjunction with the City of Portland Department of Parks and Recreation, and an additional \$1.7 million for Central District infrastructure, including the streetcar.

In the Convention Center Urban Renewal Area, \$7.2 million will be spent to work with a local development team through loans and capital project assistance to implement a commercial renovation project known as Vanport Redevelopment. Additionally, \$1.6 million will be expended for continued predevelopment activities on the Headquarters Hotel for the City of Portland.

In the South Park Blocks Urban Renewal Area, large dollar projects will include \$4.6 million for the implementation of the Park Avenue Vision and updated Downtown Retail Strategy and development of the Midtown Blocks; \$3.5 million for the renovation or redevelopment of the City-owned 10th & Yamhill Garage; and \$2.1 million for work including relocation, demolition, and remediation of the former Jasmine Tree Restaurant property at Montgomery and Harrison, an economic development and housing study, and the determination of the final alignment of the streetcar at this site.

The Economic Development Department has budgeted approximately \$16 million across urban renewal areas for financial assistance through loans or grants (e.g. Quality Jobs Program, Economic Opportunity Funds) to stimulate investment and job growth. These funds leverage PDC dollars with private or public funds.

The Housing Department has budgeted approximately \$12 million across urban renewal areas for affordable housing preservation projects to stimulate the development of a substantial stock of housing accessible to householders with a range of incomes which reflect the income distribution of the City as a whole. Specific high-profile housing projects will be supported in the South Park Blocks Urban Renewal Area, including the multi-family housing efforts at Jefferson West, \$4.4 million and St. Stephens, \$3.9 million. Maintaining the existing level of low- and middle-income housing units is a major priority at PDC.

### **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, 2006. PDC has received a Certificate of Achievement for the last 19 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 with the Certificate of Achievement Program requirements, and we 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, 2006. 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, 2007, would not have been possible without the efficient and dedicated service of the entire staff of the Commission and the Finance Department. A special thanks to Amy Aragon, Steve Baron, Bethany Bilyeu, Sam Brugato, Paul Esch, Michael Gum, Catherine Kaminski, Jane Kingston, Michael Martinez, and Jim Miller 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,



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Bruce A. Warner, Executive Director



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Julie V. Cody, Interim Central Services Director

# PDC

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PORTLAND  
DEVELOPMENT  
COMMISSION

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# Portland Development Commission

A Component Unit of the City of Portland, Oregon



(from left to right Sal Kadri, Charles Wilhoite, Bertha Ferran, Mark Rosenbaum, and John Mohlis)

## Governing Board (As of June 30, 2007)

Mark Rosenbaum, Chairman  
*Managing Partner*  
Rosenbaum Financial LLC  
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**Term Expires**  
July 10, 2008

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July 10, 2007

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July 10, 2008

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June 30, 2009

John Mohlis  
*Executive Secretary-Treasurer*  
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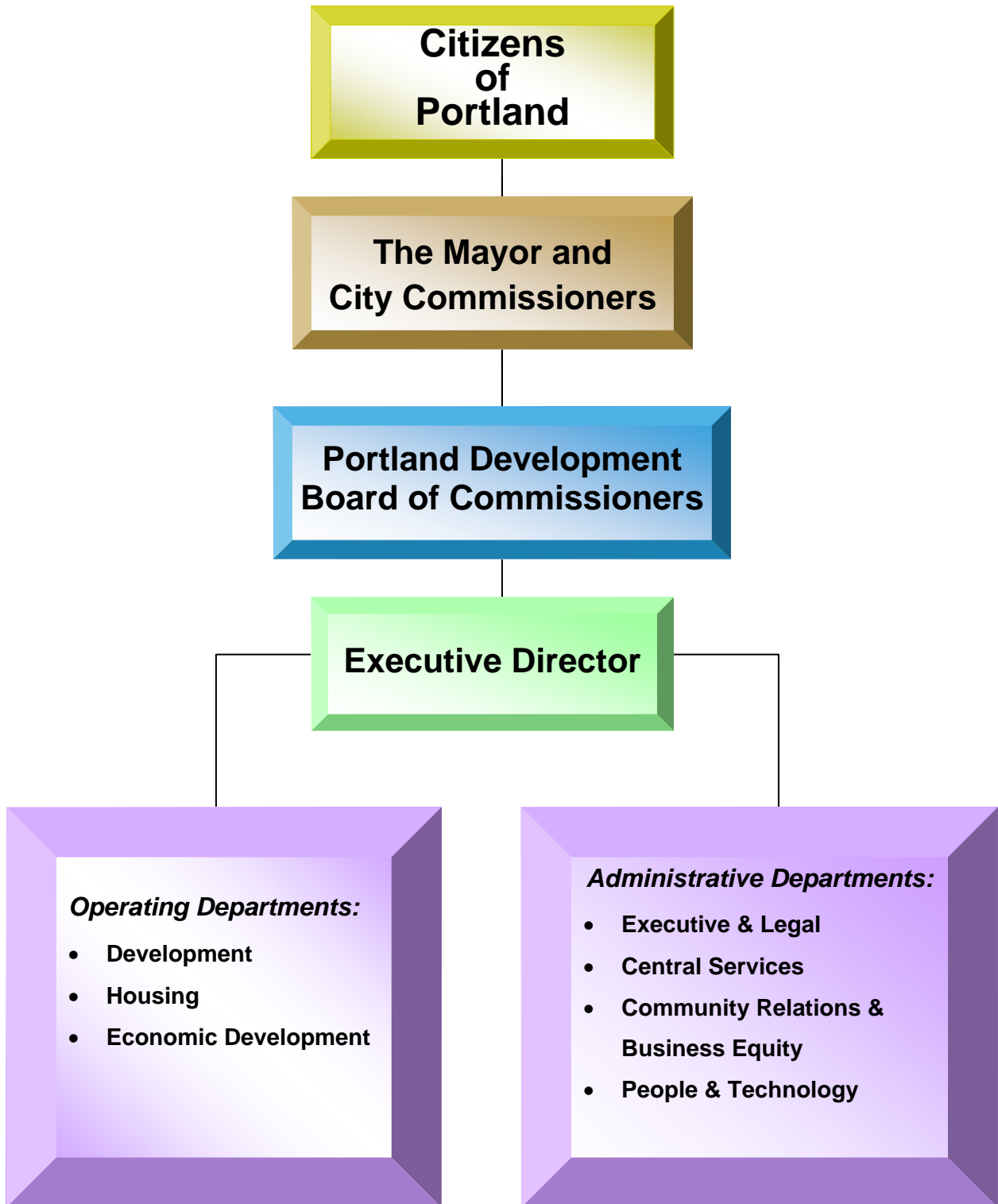
June 30, 2009

**Registered Agent**  
None

# Portland Development Commission

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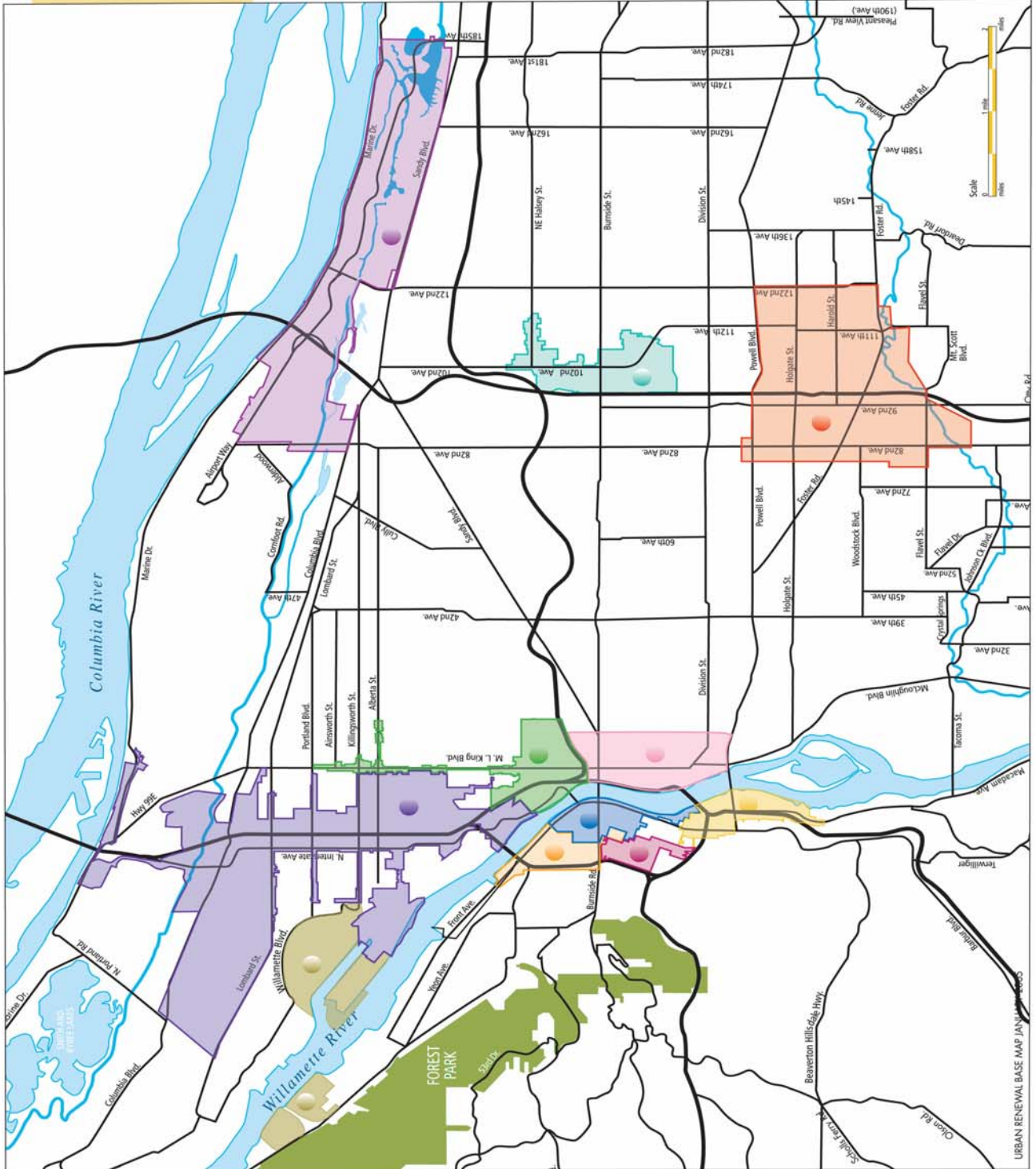
## Organizational Chart



# URBAN RENEWAL AREAS

2005

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



URBAN RENEWAL BASE MAP JANUARY 2005

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, 2006

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.



A handwritten signature in black ink, appearing to read "Thomas J. Blain".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emery".

Executive Director

# PDC

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PORTLAND  
DEVELOPMENT  
COMMISSION

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# Financial Section\_\_\_\_\_



# PDC

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PORTLAND  
DEVELOPMENT  
COMMISSION

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## INDEPENDENT AUDITOR'S REPORT

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, 2007, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Commission as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2007, 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 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, 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, budgetary comparison statements on pages 28 and 29, supplementary data on pages 63 - 103, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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. The budgetary comparison statements on pages 28 and 29 and supplementary data on pages 63 - 103 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



For Moss Adams, LLP  
Portland, Oregon  
December 20, 2007

## 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, 2007. 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, 2007 by \$244,964,656 (net assets). Of this amount, \$17,329,756 (unrestricted net assets) may be used to meet PDC's ongoing obligations to citizens and creditors.
- PDC's total net assets increased by \$16,689,931 (7.3%) when compared to the financial statements at June 30, 2006. The net asset increase is primarily attributable to an overall increase in revenues on an entity-wide basis.
- As of June 30, 2007, PDC's governmental activities reported combined ending net assets of \$230,295,689, an increase of \$16,529,333 from the prior year. Approximately 1% of the net assets, \$2,660,789, is available for spending at PDC's discretion (unrestricted net assets).
- PDC's total long-term debt decreased by \$952,218 (41%) during the fiscal year ended June 30, 2007. Key factors in this decrease include: in the business-type activities for private lender program, a financing payment of \$335,590 required by the debt indentures to Bank of America, plus an additional prepayment of \$500,000; in the governmental funds, the long-term portion of the note payable for the Ashbrook Bakery property acquisition decreased \$50,415 to reflect the annual required payment.
- Gross loans receivable increased from \$249,228,980 to \$282,163,085 commission-wide, or 13%. The loan loss allowance increased from \$185,566,576 to \$211,015,749, an increase of 14% from the prior year's allowance, resulting in net loans receivable of \$71,147,336.

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. In the main, these activities are 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 Fund Balance Sheet and the Governmental Fund 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; River District Urban Renewal Fund; Convention Center Urban Renewal Fund; South Park Blocks Urban Renewal Fund; Downtown Waterfront Urban Renewal Fund; North Macadam Urban Renewal Fund; and the Lents Town Center Urban Renewal Fund. Data from the other nine 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, including such major programs as: the Private Lender Program, Bank of America Fund; Private Lender Program, US Bank Fund; and the Housing Investment 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. Original resources for these programs were derived primarily from federal grants from the Economic Development Administration and the U.S. Department of Housing and Urban Development. In addition, resources from the City of Portland are accounted for in the Housing Investment Fund (HIF).

*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 34-61 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 62-97 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 \$244,964,656 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, \$214,919,258 or 88%, 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 less than 2% from the proportion of restricted net assets for fiscal year ended June 30, 2006.

**Portland Development Commission's Net Assets  
At June 30**

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Assets</b>						
Current and Other Assets	\$ 269,669,640	\$ 241,836,367	\$ 17,274,359	\$ 17,953,457	\$ 286,943,999	\$ 259,789,824
Capital Assets	12,715,642	13,188,653	-	-	12,715,642	13,188,653
Total Assets	<u>282,385,282</u>	<u>255,025,020</u>	<u>17,274,359</u>	<u>17,953,457</u>	<u>299,659,641</u>	<u>272,978,477</u>
<b>Liabilities</b>						
Other Liabilities	51,971,668	41,090,324	424,585	362,478	52,396,253	41,452,802
Long-term Liabilities	117,925	168,340	2,180,807	3,082,610	2,298,732	3,250,950
Total Liabilities	<u>52,089,593</u>	<u>41,258,664</u>	<u>2,605,392</u>	<u>3,445,088</u>	<u>54,694,985</u>	<u>44,703,752</u>
<b>Net Assets</b>						
Invested in Capital						
Assets	12,715,642	13,188,653	-	-	12,715,642	13,188,653
Restricted	214,919,258	197,188,290	-	-	214,919,258	197,188,290
Unrestricted	2,660,789	3,389,413	14,668,967	14,508,369	17,329,756	17,897,782
Total Net Asset	<u>\$ 230,295,689</u>	<u>\$ 213,766,356</u>	<u>\$ 14,668,967</u>	<u>\$ 14,508,369</u>	<u>\$ 244,964,656</u>	<u>\$ 228,274,725</u>

A small portion of PDC's total net assets (5%) 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* (\$17,329,756) may be used to meet PDC's ongoing obligations to citizens and creditors. Most of the unrestricted net assets, 84%, are contained in the business-type activities. Note that unrestricted net assets have decreased 5% during fiscal year 2007. The business-type unrestricted net assets decreased by 1%, or \$160,598, while the governmental segment decreased \$728,624, or 21.5%.

At June 30, 2007, 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 the three prior fiscal years.

One major component of PDC's assets is loans receivable from its customers. During this last year, PDC's gross portfolio increased \$32,934,102 or 13%, while the loan loss allowance increased by \$25,449,169 or 14%, from the prior year. The smaller, current portion of the net portfolio decreased 37% while the non-current portion increased by 20%, reflecting a continuing trend in higher-risk and longer-term lending.

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

	2007	2006	Change	% Change
Gross Loans Receivable	\$ 282,163,085	\$ 249,228,980	\$ 32,934,105	13%
Allowance & Discount	(211,015,749)	(185,566,576)	(25,449,173)	14%
<b>Total Net</b>	<b>\$ 71,147,336</b>	<b>\$ 63,662,404</b>	<b>\$ 7,484,932</b>	<b>12%</b>
Current Portion	\$ 5,992,752	\$ 9,575,373	\$ (3,582,621)	(37%)
Non-Current Portion	65,154,584	54,087,031	11,067,553	20%
<b>Total Net</b>	<b>\$ 71,147,336</b>	<b>\$ 63,662,404</b>	<b>\$ 7,484,932</b>	<b>12%</b>

PDC's ending net assets increased by \$16,689,931, or approximately 7%, during the current fiscal year. In general, PDC's overall financial position has diminished over the year, due to a \$2,530,836 (2%) decrease in revenues over the prior year, while expenses increased by \$16,737,162 (16%).

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

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 5,692,711	\$ 9,142,846	\$ 2,037,570	\$ 1,285,848	\$ 7,730,281	\$ 10,428,694
Operating Grants and Contributions	8,669,663	16,386,221	138,814	-	8,808,477	16,386,221
<b>General Revenues:</b>						
Tax Increment Debt Proceeds	91,878,764	82,974,088	-	-	91,878,764	82,974,088
Unrestricted Investment Income	3,491,587	2,890,426	195,423	112,259	3,687,010	3,002,685
Miscellaneous	8,458,224	8,911,725	-	1,390,179	8,458,224	10,301,904
<b>Total Revenues</b>	<b>118,190,949</b>	<b>120,305,306</b>	<b>2,371,807</b>	<b>2,788,286</b>	<b>120,562,756</b>	<b>123,093,592</b>
<b>Expenses:</b>						
Community Development	116,101,082	100,446,658	-	-	116,101,082	100,446,658
Enterprise Loans	-	-	2,322,045	1,239,307	2,322,045	1,239,307
<b>Total Expenses</b>	<b>116,101,082</b>	<b>100,446,658</b>	<b>2,322,045</b>	<b>1,239,307</b>	<b>118,423,127</b>	<b>101,685,965</b>
Increase (Decrease) in Net Assets Before Special Item and Transfers	2,089,867	19,858,648	49,762	1,548,979	2,139,629	21,407,627
Special Item – Lease Rights Transfers	14,550,302	-	-	-	14,550,302	-
	(110,836)	(407,612)	110,836	407,612	-	-
<b>Increase (Decrease) in Net Assets</b>	<b>16,529,333</b>	<b>19,451,036</b>	<b>160,598</b>	<b>1,956,591</b>	<b>16,689,931</b>	<b>21,407,627</b>
Beginning Net Assets	213,766,356	194,315,320	14,508,369	12,551,778	228,274,725	206,867,098
<b>Ending Net Assets</b>	<b>\$ 230,295,689</b>	<b>\$ 213,766,356</b>	<b>\$ 14,668,967</b>	<b>\$ 14,508,369</b>	<b>\$ 244,964,656</b>	<b>\$ 228,274,725</b>

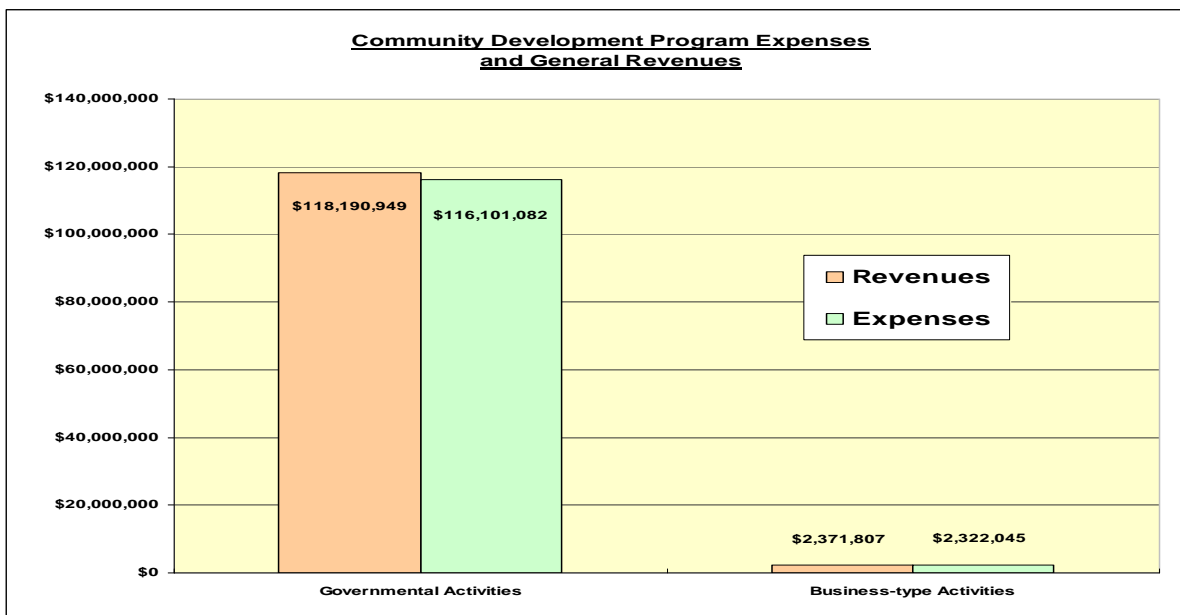


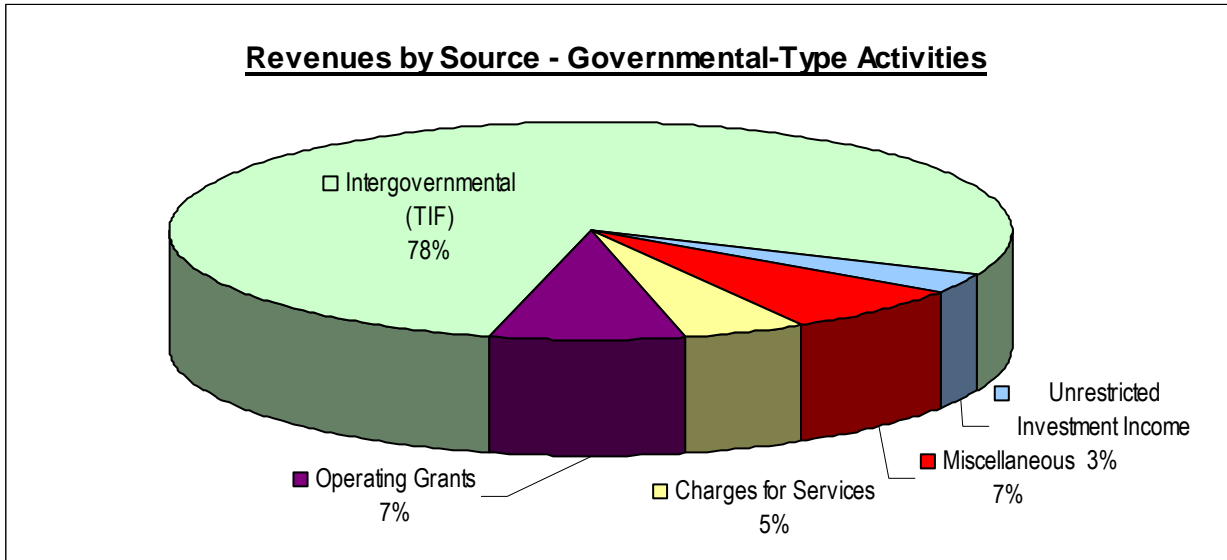
**Governmental activities.** PDC's ending net assets for governmental activities increased by \$16,529,333, which is roughly proportionate to the 7% increase in total net assets on a government-wide basis. This increase is due primarily to the acquisition of Cascade Station Lease Rights recorded as a special item of \$14,550,302, augmented in part by a decrease in governmental revenues across categories of \$2,114,357, or 2%, while expenditures increased by 16% overall, or \$15,654,424.

**Portland Development Commission's  
Summary of Changes in Net Assets  
For the Fiscal Year Ended June 30, 2007  
Compared to the Fiscal Year Ended June 30, 2006**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Change</u>
<b>Revenue Changes</b>			
Increase - Tax Increment Proceeds	\$ 8,904,675	\$ -	\$ 8,904,675
(Decrease)/ Increase - Charges for Services	(3,450,135)	751,722	(2,698,413)
(Decrease)/ Increase - Operating Grants and Contributions	(7,716,558)	138,814	(7,577,744)
Increase – Unrestricted Investment Income	601,161	83,164	684,325
(Decrease) – Miscellaneous	<u>(453,501)</u>	<u>(1,390,179)</u>	<u>(1,843,680)</u>
Total Revenue Changes	(2,114,357)	(416,479)	(2,530,836)
Prior Year Net Asset Increase	19,451,036	1,956,591	21,407,627
(Decrease) in Expenses	(15,654,424)	(1,082,738)	(16,737,162)
Increase – Special Item, Cascade Station lease rights	14,550,302	-	14,550,302
Transfers In/(Out) Change	296,776	<u>(296,776)</u>	-
<b>Net Change in Assets Current Year</b>	<b>\$ <u>16,529,333</u></b>	<b>\$ <u>160,598</u></b>	<b>\$ <u>16,689,931</u></b>

An 11% increase in intergovernmental revenues (tax increment debt proceeds in lieu of tax increment revenue) accounted for the largest portion of increased governmental revenue. Other forms of intergovernmental revenues decreased except for unrestricted investment income, which increased 21%.





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 2007 is substantially higher than the five-year average and any of the prior four years and that the five-year average increased, by \$11,306,497 from \$82,974,088 in fiscal year 2006.

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

Year	Amount	Change	%	
2003	\$ 64,390,903			5-Year Average = \$ 63,964,439
2004	36,906,756	\$ (27,484,147)	(43%)	
2005	43,671,683	6,764,927	18%	
2006	82,974,088	39,302,405	90%	
2007	91,878,763	8,904,675	11%	
	<u>\$ 319,822,193</u>			

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 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 areas has a planned expiration date after which it will receive no further TIF. 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 receive a TIF allocation, but may continue spending until its resources are exhausted. None of the urban renewal areas managed by PDC reached its maximum indebtedness or expiration during fiscal year 2007.

**Business-type activities.** PDC's net assets for business-type activities increased by \$160,598 or 1%, for the fiscal year ended June 30, 2007. The key elements of this increase is that while expenses increased 87% over the prior fiscal year, or \$1,082,738, total revenues decreased only 15%.

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

<u>Expenses</u>	<u>2007</u>	<u>2006</u>	<u>Change</u>
Personal services	\$ 259,851	\$ 308,858	\$ (49,007)
Professional services	519,272	57,416	461,856
Loan document costs	468,196	184,630	283,566
Financial assistance	181,825	65,067	116,758
Loan loss provision	406,467	75,899	330,568
Interest expense	226,959	302,214	(75,255)
Internal service reimbursements	259,475	245,223	14,252
<b>Totals</b>	<b>\$ 2,322,045</b>	<b>\$ 1,239,307</b>	<b>\$ 1,082,738</b>

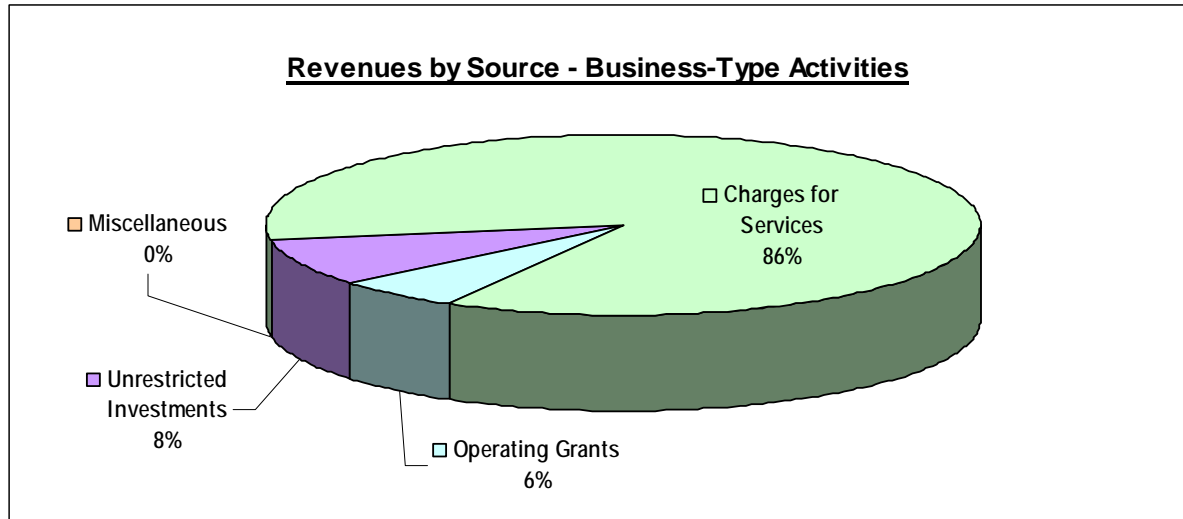
In fiscal year 2007, increased expenses were incurred for: \$89,512 spent for special homeownership events; \$82,275 for minority homeownership initiatives; and, at the Headwaters Apartments site, professional services of \$461,856 for design and construction, plus \$103,564 for property management start up costs.

The change in the loan loss allowance warrants further discussion. The summary history below illustrates the fluctuating nature of the allowance. In fiscal year 2003, a major review lead to allowance increases across PDC's entire portfolio. In 2004, a decrease in the allowance was recorded in the Enterprise Fund due to a favorable revision in the estimated collection of cash flow loans. In 2005, the allowance change reflected an increase for an amortizing Urban Development Action Grant and EDA loans that went into default, and there were additional write-offs of uncollectible loans. In 2006, the \$2,159,286 (5%) decrease in the allowance expense closely parallels the \$2,291,198 (5%) decrease in the gross portfolio for the Enterprise Loans Fund. In 2007, the \$330,568 increase (436%) in the allowance expense increase might appear inconsistent with the \$1,342,265 (3%) decrease in the gross portfolio for the Enterprise Loans Fund. However, there was during this time an increase in defaulting loans of \$200,995 and a shift in the portfolio composition from performing amortizing loans to deferred payment and cash flow dependent loans.

**Portland Development Commission's  
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>
2002	\$ 622,802	
2003	8,498,785	\$ 7,875,983
2004	(1,439,452)	(9,938,237)
2005	2,235,185	3,674,637
2006	75,899	(2,159,286)
2007	406,467	330,568

Business-type revenues overall decreased (15%) over the prior year, or \$416,479. For the fiscal years 2006 and 2007, 96% and 86% respectively were derived from charges for services and miscellaneous income. Both of these revenue sources declined in fiscal year 2007. Charges for services experienced a \$751,722, (468%) increase, but miscellaneous revenues decreased \$1,390,179, or 866%. Both operating grants contributions and investment income increased, by \$138,814 and \$83,164, respectively.



### 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, 2007, PDC's governmental funds reported combined ending fund balances of \$217,183,938, an increase of \$17,080,163, or 9% from the prior year. Approximately 12% of the total amount, \$26,682,492, constitutes *unreserved fund balance*, which is available for spending at the Commission's discretion. Another \$24,469,976 is unreserved but is designated for subsequent year's expenditures. The remainder of fund balance is *reserved* to indicate that it is not available for discretionary spending because it has already been committed for urban renewal programs, \$164,874,089, or for other restricted purposes, \$1,157,381.

The General Fund, adopted as the Urban Redevelopment Fund, is the primary operating fund of PDC. During the current fiscal year ended June 30, 2007, the fund balance of the General Fund decreased from \$2,915,483 to \$2,264,679. Key factors in the \$650,804 decrease in total fund balance include:

- Net expenditures increased by \$162,833; including \$998,650 more in capital outlay expenditures, which represents the disposal cost of the two properties near 92nd Avenue and Foster Road, the Donisanu Site (\$550,000) and the Dagle Site (\$211,686) plus \$169,873 for new office computer equipment; financial assistance

expenditures increased \$138,390, including grants totaling \$220,510 to the Portland Saturday Market and \$373,000 to the Alliance of Portland Neighborhood Business Associations business vitality projects; and a decrease of \$974,206 in community development expenditures most of which is attributable to an excess service reimbursement from other funds.

- Transfers out increased \$724,556, including \$1,860,233 to the Downtown Waterfront Urban Renewal Fund to reimburse for PDC's office-lease expenditures. This is almost half again as much as the prior fiscal year amount which covered a partial year.
- Revenues increased by \$475,011, primarily due to: an increase in intergovernmental revenues of \$653,502 from the City of Portland; an increase in miscellaneous revenues of \$169,011 due to a credit from Oregon PERS on the OPSRP account; and a decrease in loan collections of \$416,250 related to the Portland Family of Funds note receivable.

The seven other major governmental funds include: the Housing and Community Development Contract Fund, River District Urban Renewal Fund, Convention Center Urban Renewal Fund, South Park Blocks Urban Renewal Fund, Downtown Waterfront Urban Renewal Fund, North Macadam Urban Renewal Fund, and the Lents Town Center Urban Renewal Area Fund. The following table shows a change in their fund balances.

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

<u>Fund</u>	<u>2007</u>	<u>2006</u>	<u>Change</u>
Housing and Community Development Contract Fund	\$ (1,606)	\$ 114,905	\$ (116,511)
River District Urban Renewal Fund	43,108,310	32,149,833	10,958,477
Convention Center Urban Renewal Fund	36,556,333	35,820,311	736,022
South Park Blocks Urban Renewal Fund	27,894,318	39,426,918	(11,532,600)
Downtown Waterfront Urban Renewal Fund	28,069,979	37,503,081	(9,433,102)
North Macadam Urban Renewal Fund	20,209,887	6,990,578	13,219,309
Lents Town Center Urban Renewal Fund	8,354,299	9,673,611	(1,319,312)
<b>Total Fund Balances</b>	<b>\$ 164,191,520</b>	<b>\$ 161,679,237</b>	<b>\$ 2,512,283</b>

As expected, the Housing and Community Development Contract Fund did not experience a significant change in its fund balance. The small change that did occur can be attributed entirely to a transfer out of \$115,000 to the Enterprise Loans Fund to offset the prior year transfer in.

In the River District Urban Renewal Area, the \$10,958,477 or 34% net increase in fund balance can be attributed to an increase in revenues of \$655,000 accompanied by a decrease in expenditures of \$4,995,803 over the prior year's net fund balance change of \$5,307,675. Most of the change in revenues derived from tax increment debt proceeds (in lieu of tax increment revenue), which were \$2,028,277, or 15%, higher than in the prior fiscal year. At the same time, loans receivable principal and interest collections decreased \$1,068,288, or 55%. Capital outlay spending decreased 82% or \$814,287 over the prior year in which spending included design and construction costs for Neighborhood Park, as well as other public infrastructure improvement costs. A significant decrease occurred in loan disbursements of \$5,948,374 or 91% from the prior fiscal year when large loans expenditures were made for the Meier and Frank (now Macy's) redevelopment project. An additional factor was the reduction in loan loss expense of \$811,334 versus the prior year due the change in risk classification of two large loans. Community development expenditures were \$2,578,193 of 77%

higher than in the prior fiscal year, including \$1,757,875 for this district's share of the Transit Mall Redevelopment.

In fiscal year 2007, the Convention Center Urban Renewal Fund experienced a 2% increase in fund balance, or \$736,022. The increase in fund balance can be attributed to an increase in revenues of \$4,930,133 accompanied by a increase in expenditures of \$3,835,448 and a reduction of transfers in of \$2,625,000. Most of the change in revenues derived from tax increment debt proceeds (in lieu of tax increment revenue), which were \$4,659,283, or 44%, higher than in the prior fiscal year. Most other sources of revenue also increased, for a combined amount of \$271,540 or 49%. Community development expenditures increased \$3,052,296 or 71% overall from the prior year. The majority of this increase can be attributed to \$2,935,300 in losses related to the sale of three properties, the Marco and McCann sites, and King Mart. Capital expenditures decreased by \$633,681, reflecting decreased spending for construction costs for improvements along Martin Luther King Boulevard. Financial assistance increased by \$1,416,833, including one substantial new loan for the Vanport project.

A material decrease of \$11,532,600 or 29% in ending fund balance resulted in the South Park Blocks Urban Renewal Fund over the prior year due to relatively flat revenues and an increase in expenditures of \$13,848,205 or 492%. In fiscal year 2007, community development expenditures increased \$8,819,722. The increase includes \$7,245,365 for the South Park Blocks portion of the light rail project and \$248,696 for transit mall improvements. Financial assistance expenditures increased \$4,711,309, due in part to new loans and their related allowance: \$790,378 for the Fountain Place Apartments and \$3,560,468 for the Jeffrey Apartments on SW 11th Avenue.

In the Downtown Waterfront Urban Renewal Fund, there was an overall 25% decrease in fund balance of \$9,433,102 in fiscal year 2007. Revenues remained flat, decreasing 3% or \$453,917. Expenditures increased significantly by \$8,832,975 or 58%, including \$6,907,737 in financial assistance, as loan disbursements for large housing projects resumed. Community development expenditures increased 89% in comparison with the prior year, by \$6,549,278, which included \$4,161,441 to transfer the formerly proposed Fire Station #1 site back to PDC from the City of Portland. Additionally, \$5,263,750 was spent on development of the downtown transit mall and support for local businesses along the mall. Streetscape improvements in Old Town Chinatown totaling \$3,304,700 in the previous year was a major contributing factor in the significant 59% decrease in capital outlay expenditures, or \$4,624,040.

The North Macadam Urban Renewal Fund experienced a significant increase in ending fund balance of \$13,219,309 or 189%. Revenues increased overall by \$1,953,446, primarily in the form of an increase in tax increment debt proceeds (in lieu of tax increment revenue) of \$2,793,493. There was a reduction of \$1,129,728 increase in miscellaneous revenues from the prior year when the City of Portland provided funding for the Neighborhood Park development. Overall, expenditures were even with the prior year, having increased only \$73,568, or 1%. However, there was considerable variation within expenditure categories. Community development expenditures increased by \$4,121,521 or 185%, including contributions to Oregon Health and Sciences University (OHSU) of \$3,400,000 for the tram and \$275,000 for the Biosciences Development Strategy Project. Capital outlay expenditures decreased significantly, \$7,762,173, from the prior year when major capital outlay expenditures were made for the aerial tram and Streetcar projects, and contributions were made to OHSU. Current year capital outlay expenditures included an additional \$3,576,227 for the tram. The \$3,714,220 increase in financial assistance expenditures over the prior year reflects the change in the allowance for loans receivable in this fund.

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

<b>Capital Projects Urban Renewal Funds</b>	<b>2007</b>	<b>2006</b>	<b>Change</b>
River District	\$ 15,534,557	\$ 13,506,280	\$ 2,028,277
Convention Center	15,166,809	10,507,526	4,659,283
South Park Blocks	3,617,466	3,917,256	(299,790)
Downtown Waterfront	6,500,447	6,510,440	(9,993)
North Macadam	26,274,595	23,481,102	2,793,493
Lents Town Center	10,526,129	4,851,602	5,674,527
Other Governmental Funds	14,258,761	20,199,882	(5,941,121)
<b>Total TIF Allocation</b>	<b>\$ 91,878,764</b>	<b>\$ 82,974,088</b>	<b>\$ 8,904,676</b>

A decrease of \$1,319,312 or 14% in ending fund balance occurred in the Lents Town Center Urban Renewal Fund when compared to the prior year. In fiscal year 2007, expenditures increased by a \$8,180,119 or 199%, and revenues increased only \$5,872,596. The change in revenues were almost entirely from an increase in tax increment debt proceeds (in lieu of tax increment revenue) of \$5,674,527. Community development expenditures increased \$6,322,514, mostly due to the I-205 Light Rail Extension. Capital outlay expenditures increased \$478,136, including \$872,621 for Parks Public Improvements, including Earl Boyles Park improvements and Lents Park ballfields improvements. Financial assistance increased by \$1,379,470, which reflects the increase in the allowance for loans receivable.

**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 \$68,574 during the fiscal year ended June 30, 2007. 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. A new enterprise fund, the Enterprise Management Fund, was added this year for activity related to non-URA property operation and maintenance. Net assets for this new fund were comprised entirely of revenues: charges for services of \$91,405 and \$617 of investment interest.

**General Fund Budgetary Highlights**

Differences between the original budget and final amended budget amounted to a \$474,024 increase in appropriations. The major differences are summarized as follows:

- Budgeted revenues from the City General Fund increased \$200,000 to be granted to the Alliance of Portland Neighborhood Business Associations. Budgeted revenues for program income increased by \$191,688 to reflect repayment of predevelopment loans from the Portland Family of Funds. Additionally, the beginning fund balance was adjusted upward by \$62,336 to include the higher actual cash balance.
- Budgeted expenditures increased by \$224,746 for resource development efforts in the Economic Development Department.
- Budgeted operating department expenditures increased by \$832,881 for the Executive Department and decreased by \$656,095 for the Finance Department, all of which represents the movement of the Human Resources section from Finance to Executive plus an increase of \$144,000 for additional organizational initiatives.

**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, 2007, capital assets amount to \$12,715,642 (net of accumulated depreciation). This investment in capital assets includes land, buildings, systems, improvements, furniture, vehicles, and equipment. The total decrease in PDC's investment in capital assets for the fiscal year ended June 30, 2007 was \$473,011, or 3.6%.

**Portland Development Commission's Capital Assets  
 (net of accumulated depreciation)  
 At June 30**

<u>Asset Type</u>	<u>Governmental Activities</u>		
	<u>2007</u>	<u>2006</u>	<u>Change</u>
Land	\$ 8,434,625	\$ 8,434,616	\$ 9
Buildings	1,678,614	1,732,762	(54,148)
Leasehold Improvements	2,340,748	2,897,060	(556,312)
Furniture, Vehicles, & Equipment	261,655	124,215	137,440
<b>Total Assets</b>	<b>\$ 12,715,642</b>	<b>\$ 13,188,653</b>	<b>\$ 473,011</b>

There were no major capital asset transactions during the year. All other types of capitalized assets decreased in value during the fiscal year except for the purchase of new equipment with a value of \$186,172. Additional information on PDC's capital assets can be found in note III - E. on page 50 of this report, and in the Supplementary Data on pages 94-98.

**Property Held for Sale.** Expenditures for acquisition and improvements of real properties intended for sale to appropriate developers or homeowners are referred to herein as property held for sale. This recording approach is also used for real property slated for transferal to the City of Portland. Following are the changes in property held for sale for the fiscal year ended June 30, 2007.



**Portland Development Commission's  
Real Property Held for Sale  
For the Fiscal Year Ended June 30, 2007**

<u>Funding Source</u>	<u>Balance</u>		<u>Disposal/</u>	<u>Balance</u>
	<u>July 1, 2006</u>	<u>Additions</u>	<u>Adjustments</u>	<u>June 30, 2007</u>
General Fund	\$ 908,440	\$ -	\$ (761,686)	\$ 146,754
Housing and Community Development Contract Fund	288,326	-	(36,870)	251,456
River District Urban Renewal Fund	18,127,192	40,791	(6,000)	18,161,983
Convention Center Urban Renewal Fund	24,162,628	164,542	(3,061,800)	21,265,370
South Park Blocks Urban Renewal Fund	10,018,611	372,014	(230,912)	10,159,713
Downtown Waterfront Urban Renewal Fund	6,695,169	4,437,775	(8,200)	11,124,744
North Macadam Urban Renewal Fund	10,559,908	12,242,255	(693,886)	22,108,277
Lents Town Center Urban Renewal Fund	2,758,508	192,540	(696,701)	2,254,347
Other Governmental Funds	<u>23,806,285</u>	<u>15,159,431</u>	<u>(3,265,313)</u>	<u>35,700,403</u>
<b>Total Property Held for Sale</b>	<b>\$ <u>97,325,067</u></b>	<b>\$ <u>32,609,348</u></b>	<b>\$ <u>(8,761,368)</u></b>	<b>\$ <u>121,173,047</u></b>

From the General Fund, two adjacent properties located near SE 89th and Foster Street in the Lent's Town Center Urban Renewal Area were sold for redevelopment at a disposition value of \$761,686.

Three sites in the Convention Center Urban Renewal Area Fund were sold for development. They included the Marco Machine Works, Kings Crossing, and the Multnomah County parking lot sites for \$3,006,597, all located on Martin Luther King Blvd.

In the Downtown Waterfront Urban Renewal Area, Block 8 was acquired in fiscal year 2006 specifically so that a portion of it could be developed as the new home of the City of Portland's Fire Station #1. Title to the property was subsequently transferred to the City of Portland and was to be exchanged with the current Fire Station #1 location when the move was complete, all in accordance with an intergovernmental agreement. The transferred parcels were removed from PDC's books in fiscal year 2006. However, in the spring of 2007, the City decided not to go forward with the Fire Station #1 relocation project citing prohibitive construction costs. Title to Block 8 was transferred back to PDC, and its value of \$4,351,568 was added back to the asset portfolio.

In the North Macadam Urban Renewal Fund, air rights were acquired 3516-3604 SW Macadam, also known as Block 33 for \$2,471,288 which is net of \$529,562 in amortization to develop a high-rise housings project over a parking structure slated for construction by 2012. In addition, work in progress was recorded for the pre-purchase of parking spaces in the same proposed building for \$3,000,000. Nearby Block 49 was purchased for a future housing development for \$5,016,193. Additional improvement costs of \$1,156,684 were incurred on various South Waterfront parcels.

In the Lents Town Center Urban Renewal Fund, three properties valued at \$601,121 were sold for the development of an insurance center.

Significant real property transactions in the other governmental funds are as follows:

- In the Airport Way Urban Renewal Fund, three parcels at Riverside Parkway were sold for \$2,768,771 for development of light industry. Also, lease rights of \$14,363,760 were booked net of \$186,542 in amortization for 34 commercial acres at Cascade Station.
- In the Interstate Corridor Urban Renewal Fund, a portion of the Hutchinson and West sites were sold for \$310,000. The remaining portion of these sites along with a portion of the Marco Machine Works site in the Convention Center URA, a slim strip of property, was reassessed by the County and recorded as the Marco Building with a value of \$500,000 to be developed as condominiums.

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 PDC provides to the community, all debt activity is fully represented in the Governmental and Enterprise Loans Fund.

A promissory note for \$385,000 was issued in January 2004 to purchase the Ashbrook Bakery. The long-term portion of the note on June 30, 2007 is \$117,925.

PDC has entered into a private lender program financing agreement with the Bank of America. PDC loans the borrowed funds to homeowners and investors for acquisition and rehabilitation of residential properties. Transactions relating to this agreement are recorded in the Enterprise Loans Fund.

**Portland Development Commission's  
Private Lender Program Debt: Comparison of Balances  
At June 30**

<u>Program</u>	<u>Enterprise Loans Fund Debt Balances</u>		
	<u>2007</u>	<u>2006</u>	<u>Change</u>
Private Lender - Bank of America			
Current	\$ 382,198	\$ 315,985	\$ 66,213
Non-Current	2,180,807	3,082,610	(901,803)
<b>Total Program Notes Payable</b>	<b>\$ 2,563,005</b>	<b>\$ 3,398,595</b>	<b>\$ (835,590)</b>

Additional information regarding PDC's Private Lender Program financing debt can be found in note III - G. on page 51 of this report.

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 2007 was 4.8%, and July 2007 was 5.2%. This is down slightly from the rate of 5.3% a year ago in June. The unemployment rate for the United States as a whole for June 2007 was 4.7%. Job growth is slowing and employment analysts speculate that rising oil prices, increasing interest rates, and continued global unrest contribute to consumers and business reluctance to spend and hire. Portland's total non-farm wage and salary employment has grown to 1,035,700 at a rate of 1.4% over the last fiscal year.
- The Portland area office market has improved again this year, in fact for the eleventh quarter in a row, according to the Portland Metropolitan Region Fact Book – 2007<sup>2</sup>. Overall vacancy rates continued to decrease over calendar year 2006 to 11.7%, and there was a net absorption of 886,572 square feet of office space. More than 600,000 square feet of new construction hit the market in calendar year 2006.
- For calendar year 2006, the Portland area industrial market earned a top five ranking from Merrill Lynch out of 30 major industrial markets with significant REIT holdings. Overall market vacancy was at 6.3% at the end of calendar year 2006, a decrease of .7%, and a net absorption of over 3.5 million square feet of industrial market space.
- Inflation rate trends for the Portland metropolitan area compare favorably to national indices, which are projected to be 3.4% and 2.7% for 2007, respectively.
- All of the above positive 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, 2008.

### **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 Central Services Director, Portland Development Commission, 222 NW Fifth Avenue, Portland, Oregon, 97209.

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<sup>2</sup> Portland Regional Fact Book – 2007, prepared by PDC in partnership with Portland Regional Partners for Business. Copies available upon request.

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

STATEMENT OF NET ASSETS  
June 30, 2007

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 233,099	\$ -	\$ 233,099
Cash with City of Portland investment pool	79,770,980	4,903,914	84,674,894
Receivables:			
Due from City of Portland	7,507,757	-	7,507,757
Due from other entities	1,192,087	-	1,192,087
Internal balances	4,219,343	(4,219,343)	-
Loans, net	3,539,448	2,453,304	5,992,752
Interest	715,113	46,745	761,858
Prepays	253,922	-	253,922
Property held for sale	121,173,046	-	121,173,046
Total current assets	<u>218,604,795</u>	<u>3,184,620</u>	<u>221,789,415</u>
Noncurrent assets:			
Restricted cash-			
Loans receivable, net	51,064,845	14,089,739	65,154,584
Capital assets not being depreciated:			
Land	8,434,625	-	8,434,625
Capital assets net of accumulated depreciation:			
Buildings and improvements	1,678,615	-	1,678,615
Leasehold improvements	2,340,748	-	2,340,748
Furniture, vehicles and equipment	261,654	-	261,654
Total noncurrent assets	<u>63,780,487</u>	<u>14,089,739</u>	<u>77,870,226</u>
Total assets	<u>\$ 282,385,282</u>	<u>\$ 17,274,359</u>	<u>\$ 299,659,641</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 24,376,888	\$ 23,936	\$ 24,400,824
Accrued liabilities	2,008,479	8,170	2,016,649
Due to City of Portland	25,223,887	-	25,223,887
Deposits payable	311,999	10,281	322,280
Notes payable due within one year	50,415	382,198	432,613
Total current liabilities	51,971,668	424,585	52,396,253
Noncurrent liabilities:			
Notes payable due in more than one year	117,925	2,180,807	2,298,732
Total liabilities	<u>52,089,593</u>	<u>2,605,392</u>	<u>54,694,985</u>
<b>NET ASSETS</b>			
Invested in capital assets	12,715,642	-	12,715,642
Restricted for:			
Urban renewal	213,985,945	-	213,985,945
Other	933,313	-	933,313
Unrestricted	2,660,789	14,668,967	17,329,756
Total net assets	<u>230,295,689</u>	<u>14,668,967</u>	<u>244,964,656</u>
Total liabilities and net assets	<u>\$ 282,385,282</u>	<u>\$ 17,274,359</u>	<u>\$ 299,659,641</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 ACTIVITIES  
For the Fiscal Year Ended June 30, 2007**

<b>Functions/Programs</b>	<u><b>Expenses</b></u>	<u><b>Program Revenues</b></u>		<u><b>Net Expense</b></u>
		<u><b>Charges for Services</b></u>	<u><b>Operating Grants</b></u>	<u><b>Governmental Activities</b></u>
Governmental activities:				
Community development	\$ 116,101,082	\$ 5,692,711	\$ 8,669,663	\$ (101,738,708)
Business-type activities:				
Enterprise loans	<u>2,322,045</u>	<u>2,037,570</u>	<u>138,814</u>	<u>-</u>
<b>Total</b>	<u><u>\$ 118,423,127</u></u>	<u><u>\$ 7,730,281</u></u>	<u><u>\$ 8,808,477</u></u>	<u><u>(101,738,708)</u></u>

General Revenues:

Tax increment debt proceeds (in lieu of tax increment revenue) - intergovernmental revenues, unrestricted	91,878,764
Unrestricted investment income	3,491,587
Miscellaneous revenues (primarily sale of property held for sale)	8,458,224
Special item - Cascade Station lease rights	14,550,302
Transfers	<u>(110,836)</u>
Total general revenues and transfers	<u>118,268,041</u>
Change in net assets	16,529,333
Net assets - July 1, 2006	<u>213,766,356</u>
Net assets - June 30, 2007	<u><u>\$ 230,295,689</u></u>

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

<b>and Changes in Net Assets</b>	
<u>Business-type Activities</u>	<u>Total</u>
\$ -	\$ (101,738,708)
<u>(145,661)</u>	<u>(145,661)</u>
<u>(145,661)</u>	<u>(101,884,369)</u>
-	91,878,764
195,423	3,687,010
-	8,458,224
-	14,550,302
<u>110,836</u>	<u>-</u>
<u>306,259</u>	<u>118,574,300</u>
160,598	16,689,931
<u>14,508,369</u>	<u>228,274,725</u>
<u>\$ 14,668,967</u>	<u>\$ 244,964,656</u>

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2007

	General Fund	Special Revenue Funds		
		Housing and Community Development Contract Fund	River District Urban Renewal Fund	Convention Center Urban Renewal Fund
<b>ASSETS</b>				
Cash and cash equivalents	\$ 233,099	\$ -	\$ -	\$ -
Cash with City of Portland investment pool	4,563,264	106,674	12,520,601	9,081,424
Receivables:				
Due from City of Portland	18,500	157,540	-	-
Accounts	-	34,706	-	-
Internal balances	-	3,989,223	-	1,125,809
Loans, net	75,389	8,351,822	14,629,908	5,832,883
Interest	62,018	-	86,718	68,261
Prepays	253,922	-	-	-
Property held for sale	146,754	251,456	18,161,983	21,097,030
<b>Total assets</b>	<b>\$ 5,352,946</b>	<b>\$ 12,891,421</b>	<b>\$ 45,399,210</b>	<b>\$ 37,205,407</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 581,169	\$ 152,713	\$ 2,129,338	\$ 177,795
Accrued liabilities	2,008,479	-	-	-
Due to City of Portland	211,620	12,440,314	161,562	471,279
Deposits payable	286,999	-	-	-
Internal balances	-	300,000	-	-
<b>Total liabilities</b>	<b>3,088,267</b>	<b>12,893,027</b>	<b>2,290,900</b>	<b>649,074</b>
<b>Fund balances:</b>				
Reserved for:				
Prepaid expenditures	253,921	-	-	-
Loans receivable	75,389	-	14,629,908	5,832,883
Property held for sale	146,754	-	18,161,983	21,097,030
Accounts receivable-others	-	-	-	-
Interfund advances	-	-	-	1,125,809
Unreserved, designated for subsequent year's expenditures in:				
General Fund	1,395,801	-	-	-
Special Revenue Funds	-	-	-	-
Capital Projects Funds	-	-	1,496,331	2,004,703
Unreserved, undesignated, reported in:				
General Fund	392,814	-	-	-
Special Revenue Funds	-	(1,606)	-	-
Capital Projects Funds	-	-	8,820,088	6,495,908
<b>Total fund balances</b>	<b>2,264,679</b>	<b>(1,606)</b>	<b>43,108,310</b>	<b>36,556,333</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,352,946</b>	<b>\$ 12,891,421</b>	<b>\$ 45,399,210</b>	<b>\$ 37,205,407</b>

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

<b>Capital Projects Funds</b>					
<b>South Park Blocks Urban Renewal Fund</b>	<b>Downtown Waterfront Urban Renewal Fund</b>	<b>North Macadam Urban Renewal Fund</b>	<b>Lents Town Center Urban Renewal Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 233,099
20,860,669	12,342,439	1,105,046	4,268,501	14,530,862	79,379,480
170,419	-	83,000	5,000,000	2,078,298	7,507,757
-	1,157,381	-	-	-	1,192,087
-	-	-	-	607,618	5,722,650
4,266,658	10,135,882	2,323,698	2,422,543	6,565,511	54,604,294
215,882	124,940	-	44,669	108,015	710,503
-	-	-	-	-	253,922
<u>10,159,713</u>	<u>11,124,744</u>	<u>22,108,277</u>	<u>2,254,347</u>	<u>35,700,402</u>	<u>121,004,706</u>
<u>\$ 35,673,341</u>	<u>\$ 34,885,386</u>	<u>\$ 25,620,021</u>	<u>13,990,060</u>	<u>\$ 59,590,706</u>	<u>\$ 270,608,498</u>
\$ 7,527,215	\$ 5,306,934	\$ 50,501	5,003,562	\$ 3,447,661	\$ 24,376,888
-	-	-	-	-	2,008,479
251,808	1,508,473	5,359,633	632,199	4,186,999	25,223,887
-	-	-	-	25,000	311,999
-	-	-	-	1,203,307	1,503,307
<u>7,779,023</u>	<u>6,815,407</u>	<u>5,410,134</u>	<u>5,635,761</u>	<u>8,862,967</u>	<u>53,424,560</u>
-	-	-	-	-	253,921
4,266,658	10,135,881	2,323,698	2,422,543	3,054,147	42,741,107
10,159,713	11,124,744	22,108,279	2,254,347	35,700,403	120,753,253
-	1,157,381	-	-	-	1,157,381
-	-	-	-	-	1,125,809
-	-	-	-	-	1,395,801
-	-	-	-	106,665	106,665
6,890,684	5,514,066	1,024,699	2,530,349	3,506,678	22,967,510
-	-	-	-	-	392,814
-	-	-	-	823,254	821,648
<u>6,577,263</u>	<u>137,907</u>	<u>(5,246,789)</u>	<u>1,147,060</u>	<u>7,536,592</u>	<u>25,468,029</u>
<u>27,894,318</u>	<u>28,069,979</u>	<u>20,209,887</u>	<u>8,354,299</u>	<u>50,727,739</u>	<u>217,183,938</u>
<u>\$ 35,673,341</u>	<u>\$ 34,885,386</u>	<u>\$ 25,620,021</u>	<u>13,990,060</u>	<u>\$ 59,590,706</u>	<u>\$ 270,608,498</u>



# PDC

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PORTLAND  
DEVELOPMENT  
COMMISSION

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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, 2007**

Fund balances - total governmental funds	\$	217,183,938
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		12,715,642
Convention Center Urban Renewal Fund liability note payable not reported on the Balance Sheet		(168,340)
Convention Center Urban Renewal Fund property held for sale not reported on the Balance Sheet		168,340
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		<u>396,109</u>
Net assets of governmental activities	\$	<u>230,295,689</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, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For The Fiscal Year Ended June 30, 2007

	General Fund	Special Revenue Funds	River District Urban Renewal Fund	Convention Center Urban Renewal Fund
		Housing and Community Development Contract Fund		
<b>REVENUES</b>				
Intergovernmental revenues	\$ 1,647,556	\$ 2,225,178	\$ -	\$ -
Charges for services	9,786	28,211	216,008	82,077
Loan collections	14,081	1,385,857	861,054	145,362
Interest on investments	260,501	-	142,836	376,995
Miscellaneous	1,018,437	7,486	882,826	224,660
Tax increment debt proceeds (in lieu of tax increment revenue)	-	-	15,534,557	15,166,809
Total revenues	<u>2,950,361</u>	<u>3,646,732</u>	<u>17,637,281</u>	<u>15,995,903</u>
<b>EXPENDITURES</b>				
Current-				
Community development	-	1,734,371	5,928,110	7,380,559
Capital outlay	1,075,935	26,503	179,918	1,279,453
Financial assistance	592,505	1,887,369	570,776	6,599,868
Total expenditures	<u>1,668,440</u>	<u>3,648,243</u>	<u>6,678,804</u>	<u>15,259,880</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,281,921</u>	<u>(1,511)</u>	<u>10,958,477</u>	<u>736,023</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	(1,932,725)	(115,000)	-	-
Total other financing sources (uses)	<u>(1,932,725)</u>	<u>(115,000)</u>	<u>-</u>	<u>-</u>
Special Item	-	-	-	-
Net change in fund balances	(650,804)	(116,511)	10,958,477	736,023
<b>FUND BALANCES (deficit) - July 1, 2006</b>	<u>2,915,483</u>	<u>114,905</u>	<u>32,149,833</u>	<u>35,820,311</u>
<b>FUND BALANCES (deficit) - June 30, 2007</b>	<u>\$ 2,264,679</u>	<u>\$ (1,606)</u>	<u>\$ 43,108,310</u>	<u>\$ 36,556,334</u>

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

<b>Capital Projects Funds</b>					
<b>South Park Blocks Urban Renewal Fund</b>	<b>Downtown Waterfront Urban Renewal Fund</b>	<b>North Macadam Urban Renewal Fund</b>	<b>Lents Town Center Urban Renewal Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ 402,724	\$ -	\$ 4,394,205	\$ 8,669,663
214,962	481,129	336,540	3,087	781,463	2,153,263
136,092	377,907	-	55,754	563,341	3,539,448
1,162,355	839,420	-	224,274	461,710	3,468,091
1,174	4,623,949	584,353	170,824	944,515	8,458,224
<u>3,617,466</u>	<u>6,500,447</u>	<u>26,274,595</u>	<u>10,526,129</u>	<u>14,258,761</u>	<u>91,878,764</u>
<u>5,132,049</u>	<u>12,822,852</u>	<u>27,598,212</u>	<u>10,980,068</u>	<u>21,403,995</u>	<u>118,167,453</u>
10,996,103	13,935,328	6,353,741	8,054,303	9,217,910	63,600,425
466,100	3,180,758	4,003,128	2,251,857	4,627,218	17,090,870
5,202,848	7,000,101	4,022,034	1,993,220	6,966,738	34,835,459
<u>16,665,052</u>	<u>24,116,187</u>	<u>14,378,903</u>	<u>12,299,380</u>	<u>20,811,866</u>	<u>115,526,754</u>
<u>(11,533,003)</u>	<u>(11,293,335)</u>	<u>13,219,309</u>	<u>(1,319,312)</u>	<u>592,129</u>	<u>2,640,699</u>
402	1,860,233	-	-	76,684	1,937,319
-	-	-	-	(430)	(2,048,155)
<u>402</u>	<u>1,860,233</u>	<u>-</u>	<u>-</u>	<u>76,254</u>	<u>(110,836)</u>
-	-	-	-	14,550,302	14,550,302
(11,532,601)	(9,433,102)	13,219,309	(1,319,312)	15,218,685	17,080,165
<u>39,426,918</u>	<u>37,503,081</u>	<u>6,990,578</u>	<u>9,673,611</u>	<u>35,509,053</u>	<u>200,103,773</u>
<u>\$ 27,894,317</u>	<u>\$ 28,069,979</u>	<u>\$ 20,209,887</u>	<u>\$ 8,354,299</u>	<u>\$ 50,727,738</u>	<u>\$ 217,183,938</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, 2007**

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

Net change in fund balances - total governmental funds	\$	17,080,164
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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	\$	215,045	
Less current year depreciation		<u>(688,056)</u>	(473,011)

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.

		<u>(77,820)</u>
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Change in net assets of governmental activities	\$	<u><u>16,529,333</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, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenues-				
City of Portland, General Fund	\$ 1,322,950	\$ 1,522,950	\$ 1,647,556	\$ 124,606
Charges for services-				
Rental income	-	-	9,786	9,786
Loan Collections-				
Principal	-	150,000	499,390	349,390
Interest	-	-	14,081	14,081
Interest on investments	75,000	155,000	260,501	105,501
Miscellaneous:				
Reimbursements	120,312	82,000	386,403	304,403
Private grants and donations	63,000	63,000	14,581	(48,419)
Other	-	-	19,304	19,304
Internal service reimbursements	28,784,352	28,804,352	26,533,745	(2,270,607)
<b>Total revenues</b>	<b>30,365,614</b>	<b>30,777,302</b>	<b>29,385,347</b>	<b>(1,391,955)</b>
<b>EXPENDITURES</b>				
Current:				
Community development:				
Development	4,851,627	4,851,627	4,487,606	364,021
Economic Development	3,874,071	4,098,817	3,597,581	501,236
Housing	3,590,309	3,590,309	3,234,664	355,645
Executive	5,428,058	6,260,939	5,487,811	773,128
Finance	11,872,051	11,215,956	9,775,608	1,440,348
Total Community development	29,616,116	30,017,648	26,583,270	3,434,378
Debt service:				
Principal	533,383	533,383	533,383	-
Total debt service	533,383	533,383	533,383	-
<b>Total expenditures</b>	<b>30,149,499</b>	<b>30,551,031</b>	<b>27,116,653</b>	<b>3,434,378</b>
Excess (deficiency) of revenues over expenditures	216,115	226,271	2,268,694	2,042,423
<b>OTHER FINANCING USES</b>				
Transfers out:				
Regional Economic Development				
Partners Fund	-	(25,000)	(25,000)	-
Ambassador Program Fund	-	(47,492)	(47,492)	-
Downtown Waterfront Urban Renewal Fund	(1,860,233)	(1,860,233)	(1,860,233)	-
<b>Total transfers out</b>	<b>(1,860,233)</b>	<b>(1,932,725)</b>	<b>(1,932,725)</b>	<b>-</b>
<b>Total other financing uses</b>	<b>(1,860,233)</b>	<b>(1,932,725)</b>	<b>(1,932,725)</b>	<b>-</b>
Net change in fund balance	(1,644,118)	(1,706,454)	335,969	2,042,423
<b>FUND BALANCE - July 1, 2006</b>	<b>1,644,118</b>	<b>1,706,454</b>	<b>1,706,567</b>	<b>113</b>
<b>FUND BALANCE - June 30, 2007</b>	<b>\$ -</b>	<b>\$ -</b>	<b>2,042,536</b>	<b>\$ 2,042,536</b>
<b>Adjustments to generally accepted accounting principles basis-</b>				
Loans receivable, net			75,389	
Property held for sale			146,754	
<b>FUND BALANCE - June 30, 2007 (GAAP BASIS)</b>			<b>\$ 2,264,679</b>	

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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget-
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenues- Housing and Community Development contract	\$ 3,208,452	\$ 4,000,538	\$ 2,225,178	\$ (1,775,360)
Charges for services:				
Application fees and charges	-	-	27,711	27,711
Rental income	-	-	500	500
Loan Collections:				
Principal	864,564	864,564	1,251,878	387,314
Interest	864,564	864,564	133,979	(730,585)
Miscellaneous:				
Reimbursements	-	-	7,486	7,486
<b>Total revenues</b>	<b>4,937,580</b>	<b>5,729,666</b>	<b>3,646,732</b>	<b>(2,082,934)</b>
<b>EXPENDITURES</b>				
Current:				
Community development:				
Economic Development	-	25,000	23,411	1,589
Housing	4,937,580	5,704,666	3,624,832	2,079,834
Total Community development	4,937,580	5,729,666	3,648,243	2,081,423
<b>Total expenditures</b>	<b>4,937,580</b>	<b>5,729,666</b>	<b>3,648,243</b>	<b>2,081,423</b>
Excess (deficiency) of revenues over expenditures	-	-	(1,511)	(1,511)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in-				
Enterprise Loans Fund	-	300,000	300,000	-
Transfers out-				
Enterprise Loans Fund	(300,000)	(114,906)	(115,000)	(94)
<b>Total other financing sources (uses)</b>	<b>(300,000)</b>	<b>185,094</b>	<b>185,000</b>	<b>(94)</b>
Net change in fund balance	(300,000)	185,094	183,489	(1,605)
<b>FUND BALANCE - July 1, 2006</b>	<b>300,000</b>	<b>114,906</b>	<b>114,905</b>	<b>(1)</b>
<b>FUND BALANCE - June 30, 2007</b>	<b>\$ -</b>	<b>\$ 300,000</b>	<b>298,394</b>	<b>\$ (1,606)</b>
<b>Adjustments to generally accepted accounting basis-</b>				
Interfund advances			(300,000)	
<b>FUND BALANCE - June 30, 2007 (GAAP BASIS)</b>			<b>\$ (1,606)</b>	

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, 2007

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Enterprise Loans Fund	Enterprise Management Fund	Totals Current Year	
<b>ASSETS</b>				
Current assets:				
Cash with City of Portland investment pool	\$ 4,812,469	\$ 91,444	4,903,913	\$ 391,501
Receivables:				
Internal balances	377,498	-	377,498	-
Loans, net	2,453,304	-	2,453,304	-
Interest	46,168	578	46,746	4,608
Total current assets	7,689,438	92,022	7,781,461	396,109
Noncurrent assets:				
Loans receivable, net	14,089,738	-	14,089,738	-
Total assets	21,779,177	92,022	21,871,199	396,109
<b>LIABILITIES</b>				
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable	23,935	-	23,935	-
Accrued interest payable	8,170	-	8,170	-
Private Lender Program notes payable	382,198	-	382,198	-
Due to other entities	10,281	-	10,281	-
Internal balances	4,596,841	-	4,596,841	-
Total current liabilities	5,021,425	-	5,021,425	-
Noncurrent liabilities:				
Private Lender Program notes payable	2,180,807	-	2,180,807	-
Total liabilities	7,202,232	-	7,202,232	-
<b>NET ASSETS</b>				
Unrestricted	\$ 14,576,945	\$ 92,022	\$ 14,668,967	\$ 396,109
<b>Total net assets (deficit)</b>	\$ 14,576,945	\$ 92,022	\$ 14,668,967	\$ 396,109
<b>Total liabilities and net assets</b>	\$ 21,779,177	\$ 92,022	\$ 21,871,199	\$ 396,109

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, 2007

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Enterprise Loans Fund	Enterprise Management Fund	Totals Current Year	
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 135,313	\$ 91,405	\$ 226,719	\$ -
Interest on loans	947,765	-	947,765	-
Miscellaneous revenues	863,087	-	863,087	-
Intergovernmental revenues	138,814	-	138,814	-
Total operating revenues	2,084,979	91,405	2,176,384	-
<b>OPERATING EXPENSES:</b>				
Personal services	259,851	-	259,851	-
Professional services	519,272	-	519,272	-
Loan document costs	468,195	-	468,195	101,317
Financial assistance	181,825	-	181,825	-
Loan loss provision	406,467	-	406,467	-
Internal service reimbursements	259,475	-	259,475	-
Total operating expenses	2,095,085	-	2,095,086	101,317
Operating income (loss)	(10,106)	91,405	81,298	(101,317)
<b>NON-OPERATING REVENUES (EXPENSE):</b>				
Interest on investments	194,805	617	195,422	23,497
Interest expense	(226,959)	-	(226,959)	-
Total non-operating revenues (expense)	(32,154)	617	(31,536)	23,497
Income before transfers	(42,260)	92,022	49,762	(77,820)
Transfers in	116,372	-	116,372	-
Transfers out	(5,536)	-	(5,536)	-
Change in net assets	68,576	92,022	160,598	(77,820)
<b>NET ASSETS - July 1, 2006</b>	14,508,369	-	14,508,369	473,929
<b>NET ASSETS - June 30, 2007</b>	\$ 14,576,945	\$ 92,022	\$ 14,668,967	\$ 396,109

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, 2007

	Business-type Activities			Governmental Activities- Internal Service Fund
	Enterprise Loans Fund	Enterprise Management Fund	Totals	
<b>Cash flows from operating activities:</b>				
Loan collections from borrowers	\$ 4,819,553	\$ -	\$ 4,819,553	\$ -
Intergovernmental Revenue	138,814	-	138,814	-
Interest on loans from borrowers	924,950	-	924,950	-
Loan fees from customers	135,322	-	135,322	-
Rent income	(10)	91,405	91,395	-
Collection of accounts receivables	86,331	-	86,331	-
Payments to employees	(261,110)	-	(261,110)	-
Payments to vendors	(1,050,685)	-	(1,050,685)	(101,317)
Payments for interfund services used	(259,475)	-	(259,475)	-
Loans to borrowers	(3,351,681)	-	(3,351,681)	-
Miscellaneous reimbursements	111,702	-	111,702	-
<b>Net cash provided (used) by operating activities</b>	<u>1,293,711</u>	<u>91,405</u>	<u>1,385,116</u>	<u>(101,317)</u>
<b>Cash flows from noncapital financing activities:</b>				
Principal paid on notes payable	(835,590)	-	(835,590)	-
Interest paid on notes payable	(229,622)	-	(229,622)	-
Transfers from other funds	110,836	-	110,836	-
Transfers to other funds	(377,498)	-	(377,498)	-
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(1,331,874)</u>	<u>-</u>	<u>(1,331,874)</u>	<u>-</u>
<b>Cash flows from investing activities</b>				
Interest received from investing	167,894	39	167,933	21,656
<b>Net increase in cash and cash equivalents</b>	<u>129,731</u>	<u>91,444</u>	<u>221,175</u>	<u>(79,661)</u>
<b>Cash and cash equivalents-July 1, 2006</b>	<u>4,682,739</u>	<u>-</u>	<u>4,682,739</u>	<u>471,162</u>
<b>Cash and cash equivalents-June 30, 2007</b>	<u>\$ 4,812,470</u>	<u>\$ 91,444</u>	<u>\$ 4,903,914</u>	<u>\$ 391,501</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Net operating income (loss)	\$ (10,106)	\$ 91,405	\$ 81,298	\$ (101,317)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:				
Decrease in due from City of Portland	86,331	-	86,331	-
Decrease in loans receivable	1,218,928	-	1,218,928	-
Increase in due to other entities	10,281	-	10,281	-
Decrease in accounts payable	(11,722)	-	(11,722)	-
Total adjustments	<u>1,303,818</u>	<u>-</u>	<u>1,303,818</u>	<u>-</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 1,293,711</u>	<u>\$ 91,405</u>	<u>\$ 1,385,116</u>	<u>\$ (101,317)</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, 2007**

**Assets**

Cash with City of Portland investment pool	\$	62,714
Interest receivable		<u>593</u>
Total assets	\$	<u><u>63,307</u></u>

**Liabilities**

Accounts payable	\$	<u><u>63,307</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, 2007**

**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.

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

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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 Bureau of Housing and Community Development to administer a portion of the City's Community Development Block Grant programs and a related revolving loan fund.

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

*South Park Blocks Urban Renewal Fund* - accounts for resources used to increase the supply of affordable rental housing in the southwest quadrant of downtown Portland and to provide new landscaping, lighting, and other public improvements in the culture-rich Portland State University campus area.

*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.

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*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.

*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.

PDC reports the following proprietary funds:

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

*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 \$259,851. 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.

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.

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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 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, PDC's portion of interest earned from the investment pool is allocated based on average earnings rate and daily 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 and HOME programs are reported as accounts receivable.

Loans receivable are recorded when the borrower has signed a promissory note and disbursements are made in accordance with the loan agreement. For loans funded by Community Development Block Grant proceeds, or other arrangements requiring the proceeds from loan repayments to be maintained or reloaned in accordance with the specific requirements of the program under which the original loan was made, the loans receivable are 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 gives recognition to the economic cost of providing loans at interest rates below market, and 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.

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**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.

<u>Asset</u>	<u>Years</u>
Buildings and improvements	50
Leasehold improvements	6
Vehicles	8
Office furniture and equipment	5-15
Computer equipment	3

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 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 a reservation of fund balance, 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.



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**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. Debt, which financed loans made by PDC, has been reported as Private Lender Participation Agreement notes payable in the Enterprise Loans Fund in the financial statements.

**8. Fund Equity**

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

*Capital assets, net of related debt.* 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.

*Reserved.* This includes the portion of fund balance related to assets that are not available to liquidate current liabilities such as long term loans receivable, properties held for sale, prepaid expenses, and other long term assets.

*Unreserved, designated.* This includes tentative plans for utilization of fund balances in future periods for uncompleted construction contracts, commitments related to unperformed contracts for goods and services, and loan commitments not yet disbursed.

*Unreserved.* This represents fund balances not included in the other categories.

**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, 2007, and the reported amounts of revenues, expenditures, and expenses for the year then ended. Actual results could differ from those estimates.

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**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).

Appropriations are made by organizational unit; Development, Economic Development, Housing, Executive, and Finance departments. 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 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 two supplemental budgets during the fiscal year. Appropriations lapse at each fiscal year-end.

The budget is prepared differently from accounting principles generally accepted in the United States of America. A reconciliation between the budgetary and GAAP basis for the General Fund is as follows:

Revenues – budgetary basis	\$ 29,385,347
Accounts receivable revenues	(499,390)
Elimination of internal service reimbursements	<u>(25,935,596)</u>
Revenues - GAAP basis	<u>\$ 2,950,361</u>
Expenditures – budgetary basis	\$ 27,116,654
Elimination of internal service reimbursements	(25,935,596)
Disposal of property held for sale	761,686
Allowance for Loans Receivable	<u>(274,304)</u>
Expenditures - GAAP basis	<u>\$ 1,668,440</u>

**B. Excess of Expenditures over Appropriations**

For the fiscal year ended June 30, 2007, the Downtown Waterfront Urban Renewal Fund and the North Macadam Urban Renewal Fund reported expenditures exceeding appropriations of \$3,551 and \$15,431 respectively. Both were the result of additional debt management expenditures from the City of Portland.

The Enterprise Loans Fund also reflects an over-expenditure in Debt Service Principal caused by an increase in the principal portion of the monthly payments, the result of a lump sum prepayment. The shift between the distribution of principal and interest in the monthly payment was not accounted for in the Budget Amendment for the prepayment itself.

An Interfund loan was transferred to the Housing and Community Development Contract Fund authorized by the PDC Board of Commissioners but was not included as a budget amendment. This is a short-term cash advance reimbursed in July, 2007 as soon as reimbursement from the City of Portland for grant expenditures was received.

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The Other Federal Grants fund ended the year with a deficit cash balance of \$77,498 as the result of federal grant expenditures not yet reimbursed by the City of Portland. This deficit represents an Interfund loan not approved by resolution from the PDC Board of Commissioners and has been recorded in the Internal Balances on the Government-wide Statement of Net Assets. This loan was repaid to the Enterprise Loans Fund in July, 2007 when reimbursement was received.

**C. Deficit Fund Equity**

The Housing and Community Development Fund reflects a deficit GAAP fund balance of \$1,606 as of June 30 due to grant expenditures not yet reimbursed by the City of Portland.

**III. Detailed Notes on All Funds**

**A. Cash and Cash Equivalents and Cash with City Of Portland Investment Pool**

The City of Portland maintains a cash and investment pool that is available for use by all funds including PDC, its component unit. 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. Cash and investments are recorded at book value in compliance with GASB Statement No. 40. As of June 30, 2007, market value or fair value was \$841,542 below the City's net cost for its investments. Fair value is determined by quoted market prices available through nationally recognized financial data and reporting systems and other industry acceptable pricing methodologies.

The City Treasurer performs the investment duties and in his absence, the City's Chief Financial Officer or a designee. The City's investment policy, developed by the Office of Management and Finance in consultation with the City's Investment Advisory Committee (IAC), is adopted annually by the City Council and provided to the Oregon Short Term Fund Board for review.

The City does not invest in any form of derivatives, but does invest in the State Treasurer's Local Government Investment Pool (LGIP). The LGIP is not registered with the US Securities and Exchange Commission as an investment company, but is governed by ORS 294.810, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short Term Fund Board. The weighted average maturity of the LGIP as of June 30, 2007 was 3.65 days.

The City does not invest in reverse repurchase agreements and does not leverage its investment portfolio in any manner. The City purchases investments only through member banks of the Federal Reserve System or broker/dealers approved by the City's Chief Administrative Officer or a designee in consultation with the City Treasurer and the IAC.

The balance as of June 30 is comprised of the following:

Cash on hand	\$	500
Deposits with financial institutions		232,599
Cash with City of Portland Investment Pool		<u>84,737,608</u>
	\$	<u><b>84,970,707</b></u>

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

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Fiduciary Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 233,099	\$ -	\$ -	\$ 233,099
Cash with City of Portland Investment Pool	<u>79,770,980</u>	<u>4,903,914</u>	<u>62,714</u>	<u>84,737,608</u>
	<u>\$ 80,004,079</u>	<u>\$ 4,903,914</u>	<u>\$ 62,714</u>	<u>\$ 84,970,707</u>

**Deposits**

Oregon Revised Statutes require depository institutions to maintain on deposit, with the collateral pool manager, securities having a value not less than 25% of the outstanding certificates of participation issued by the pool manager. Of PDC's deposits, \$115,000 was covered by federal depository insurance and the remaining \$117,599 was collateralized by securities held by the Federal Home Loan Bank of Seattle.

**Interest Rate Risk**

As of June 30, 2007, the weighted maturity of the City's investment portfolio was 263 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 City's Investment Advisory Committee.

**Credit Risk**

The City's investments in FFCB, FHLB, FNMA, and FHLMC Coupon Notes were rated AAA by Standard & Poor's and Aaa by Moody's Investor Services. The City's investments in FFCB and FHLB have a short-term rating of P-1 by Moody's Investor Services. The City's investments in FHLMC and FNMA have a short-term credit rating of P-1 by Moody's Investor Services and F1+ by Fitch. All of the City's Commercial Paper investments had a minimum credit rating of A-1 by Standard & Poor's and P-1 by Moody's. As of June 30, 2007, the LGIP was not rated.

**Concentration Of Credit Risk**

Of the City's total investments as of June 30, 2007, 17.95% were FHLMC Notes or short-term investments, 18.92% were FNMA Notes or short-term investments, 11.77% were FFCB Notes or short-term investments, and 30.77% were FHLB notes. All other investments not explicitly guaranteed by the US Government were less than 6% 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 in the City's investment policy are located at: <http://www.portlandonline.com/auditor/index.cfm?a-8811&&c=27440>.

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**B. Internal Balances and Transfers**

The composition of internal balances is as follows:

Payable Fund	Receivable Fund				Total
	Housing and Community Development Contract Fund	Other Governmental Funds	Enterprise Loans Fund	Convention Center Urban Renewal Fund	
Enterprise Loans Fund	\$ 3,989,223	\$ 607,618	\$ -	\$ -	4,596,841
Convention Center Urban Renewal Center	-	-	-	1,125,809	1,125,809
Governmental Fund Receivables					\$ 5,722,650
Housing and Community Development Contract Fund	-	-	300,000	-	300,000
Other Governmental Funds	-	1,125,809	77,498	-	1,203,307
Governmental Fund Liabilities					\$ 1,503,307

As of June 30, 2007, the Enterprise Loans Fund owes the Housing and Community Development Contract Fund and the Other Federal Grants Fund the total amount of \$4,596,841 for loan collateral provided for the Private Lender Participation Agreement loans. The Housing and Community Development Fund and the Other Federal Grants Fund owe the Enterprise Loans Fund \$300,000 and \$77,498 respectively, for short-term Interfund loans for grant expenditures not yet reimbursed by the City of Portland. An interfund loan with a balance of \$1,125,809 exists between Convention Center Urban Renewal Fund and Other Governmental Funds for the construction of the Vanport residential properties. It is reflected in the Governmental Funds Balance sheet as Internal Balances but is netted in the Statement of Net Assets.

Interfund transfers made during the year are outlined below.

Transfer Out Funds	Transfer In Funds				Total
	South Park Blocks Urban Renewal Fund	Downtown Waterfront Urban Renewal Fund	Other Governmental Funds	Enterprise Loans Fund	
General Fund	\$ -	\$ 1,860,233	\$ 72,492	\$ -	\$ 1,932,725
Interstate Corridor Urban Renewal Fund	-	-	-	-	-
Housing and Community Development Contract Fund	-	-	-	115,000	115,000
Other Governmental Funds	402	-	-	28	430
Enterprise Loans Fund	-	-	4,192	1,344	5,536
	\$ 402	\$ 1,860,233	\$ 76,684	\$ 116,372	\$ 2,853,691

Interfund transfers move additional equity balances between the Enterprise Loans Fund, Housing and Community Development Contract Fund and Other Federal Grants Fund. General Fund partially reimbursed Downtown Waterfront Urban Renewal Fund the cost of office relocation and building improvements incurred during fiscal year 2004-2005. Costs were charged to the Downtown Waterfront URA and will be reimbursed by an indirect allocation every year through FY 2008-2009. The Interstate Corridor URA transferred \$500,000 to the Oregon Convention Center URA as partial repayment of an Interfund loan. The Interfund loan is being repaid as Real Property Sales proceeds are received on the Vanport redevelopment project.

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**C. Loans Receivable**

Loans receivable are comprised of loans to qualified borrowers for the rehabilitation and restoration of single and multi-family residences, collateralized by real property, and 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>
<b>Major Funds:</b>				
General Fund:				
Business Services:				
Amortized loans	5 yrs	3%	\$ 163,060	\$ 87,671
Total Gross General Fund			<u>163,060</u>	<u>87,671</u>
Total Net General Fund				<u>75,389</u>
Housing and Community Development				
Contract Fund:				
Business services:				
Amortized loans	20 yrs	0% to 9.25%	886	44
Multi-family housing:				
Cash flow loans	30 yrs	0% to 3%	5,445,876	4,661,240
Equity gap loans	Indefinite	0%	16,184,762	16,184,762
Deferred payment loans	60 yrs	3% to 5%	1,802,292	1,393,439
Amortized loans	30 yrs	0% to 8.23%	2,059,021	509,592
In default loans	N/A	N/A	162,296	162,296
Neighborhood housing:				
Deferred payment loans	Indefinite	0%	7,512,618	2,652,816
Shared appreciation mortgages	Indefinite	0%	414,500	103,625
Amortized loans	30 yrs	0% to 6%	528,229	90,844
In default loans	N/A	N/A	<u>20,248</u>	<u>20,248</u>
Total Gross Housing and Community Development Contract Fund			<u>34,130,728</u>	<u>25,778,906</u>
Total Net Housing and Community Development Contract Fund				<u>8,351,822</u>
River District Urban Renewal Fund:				
Development:				
Amortized loans	9 yrs	8%	11,613,776	3,812,134
Deferred payment loans	15 yrs	8%	2,700,000	1,782,024
Business services:				
Amortized loans	10 yrs	3%	476,734	121,688
In default loans	N/A	0%	331,940	188,933
Multi-family housing:				
Amortized loans	30 yrs	3%	1,371,397	841,148
Cash flow loans	30 yrs	3%	26,926,705	24,189,314
Neighborhood housing:				
Deferred payment loans	Indefinite	0%	4,599,622	2,628,601
Shared appreciation mortgages	Indefinite	0%	<u>231,434</u>	<u>57,858</u>
Total Gross River District Urban Renewal Fund			<u>48,251,608</u>	<u>33,621,700</u>
Total Net River District Urban Renewal Fund				<u>14,629,908</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>
Convention Center Urban Renewal Fund:				
Development:				
Deferred payment loans	100 yrs	0%	560,602	341,246
Amortized loans	13 yrs	5% to 7%	3,168,769	1,489,544
Cash flow loans	30 yrs	3% to 5%	2,725,597	2,688,438
Business services:				
Deferred payment loans	100 yrs	0%	49,500	28,905
Cash flow loans	30 yrs	3% to 5%	708,223	434,858
Amortized loans	20 yrs	5% to 8.5%	2,108,118	743,024
Multi-family housing:				
Cash flow loans	10 yrs	3%	1,605,214	1,545,102
Equity gap loans	Indefinite	0%	541,600	541,600
Deferred payment loans	100 yrs	0%	6,725,542	4,782,761
Amortized loans	20 yrs	5% to 8.5%	602,362	367,166
Total Gross Convention Center Urban Renewal Fund			<u>18,795,527</u>	<u>12,962,644</u>
Total Net Convention Center Urban Renewal Fund				<u>5,832,883</u>
South Park Blocks Urban Renewal Fund:				
Business services:				
Amortized loans	10 yrs	3% to 8.5%	969,430	220,085
Deferred payment loans	2 yrs	3% to 8%	459,500	277,518
Multi-family housing:				
Equity gap loans	Indefinite	0%	7,348,322	7,348,322
Deferred payment loans	41 yrs	3%	2,524,429	2,148,657
Cash flow loans	32 yrs	0% to 3%	13,805,877	11,697,228
Amortized loans	35 yrs	3%	2,431,936	1,756,151
Neighborhood housing:				
Shared appreciation mortgages	Indefinite	0%	233,500	58,375
Total Gross South Park Blocks Urban Renewal Fund			<u>27,772,994</u>	<u>23,506,336</u>
Total Net South Park Blocks Urban Renewal Fund				<u>4,266,658</u>
Downtown Waterfront Urban Renewal Fund:				
Development:				
Amortized loans	10 yrs	0%	2,400,914	778,299
Equity gap loans	Indefinite	0%	1,070,343	1,070,343
Business services:				
Equity gap loans	Indefinite	0%	717,199	717,199
Amortized loans	20 yrs	3%	868,891	179,250
Deferred payment loans	2 yrs	3% to 8%	391,838	219,652
Multi-family housing :				
Cash flow loans	32 yrs	0%	27,430,128	25,276,155
Deferred payment loans	30 yrs	0% to 6.5%	3,809,324	2,792,662
Amortized loans	32 yrs	0%	6,719,663	4,289,817
Equity gap loans	Indefinite	0%	9,601,395	9,601,395
Neighborhood housing:				
Amortized loans	20 yrs	3%	1,377,418	209,628
Shared appreciation mortgages	Indefinite	0%	1,177,559	294,390
Total Gross Downtown Waterfront Urban Renewal Fund			<u>55,564,672</u>	<u>45,428,790</u>
Total Net Downtown Waterfront Urban Renewal Fund				<u>10,135,882</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>
North Macadam Urban Renewal Fund:				
Development:				
Amortized loans	31 yrs	1%	3,339,191	1,086,767
Cash flow loans	31 yrs	0%	3,189,251	3,121,627
Deferred payment loans	30 yrs	0%	17,235	20,047
Multi-family housing- Deferred payment loans	1yr	0%	<u>13,476</u>	<u>7,014</u>
Total Gross North Macadam Urban Renewal Fund			<u>6,559,153</u>	<u>4,235,455</u>
Total Net North Macadam Urban Renewal				<u>2,323,698</u>
Lents Town Center Urban Renewal Fund:				
Development-				
Cash flow loans	35 yrs	3%	315,850	209,099
Deferred payment loans	30 yrs	6%	630,370	510,896
Business services:				
Deferred payment loans	30 yrs	0% to 3%	2,035	1,135
Amortized loans	30 yrs	3%	2,592,938	1,007,569
Multi-family housing:				
Cash flow loans	Indefinite	0%	893,224	855,036
Neighborhood housing:				
Deferred payment loans	30 yrs	0% to 3%	384,090	222,924
Amortized loans	20 yrs	3%	123,653	24,583
Shared appreciation mortgages	Indefinite	0%	<u>415,500</u>	<u>103,875</u>
Total Gross Lents Town Center Urban Renewal Fund			<u>5,357,660</u>	<u>2,935,117</u>
Total Net Lents Town Center Urban Renewal Fund				<u>2,422,543</u>
<b>Other Governmental Funds:</b>				
Other Federal Grants Fund:				
Multi-family housing:				
Cash flow loans	30 yrs	0% to 3%	14,919,208	13,792,718
Equity gap loans	Indefinite	0%	12,554,346	12,554,346
Deferred payment loans	36 yrs	0%	1,335,306	1,008,892
Amortized loans	30 yrs	0% to 3%	3,834,253	2,441,041
Neighborhood housing:				
Deferred payment loans	Indefinite	0%	290,768	48,897
Shared appreciation mortgages	Indefinite	0%	529,097	132,274
Amortized loans	30 yrs	0% to 3%	<u>27,952</u>	<u>1,398</u>
Total Gross Other Federal Grants Fund			<u>33,490,930</u>	<u>29,979,566</u>
Total Net Other Federal Grants Fund				<u>3,511,364</u>
Enterprise Zone Fund:				
Business services-				
Amortized loans	5 yrs	0%	<u>5,000</u>	<u>-</u>
Total Gross Enterprise Zone Fund			<u>5,000</u>	<u>-</u>
Total Net Enterprise Zone Fund				<u>5,000</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:				
Development:				
Cash flow loans	Indefinite	4%	1,180,776	1,151,129
Business services:				
Amortized loans	10 yrs	3% to 6%	1,447,297	393,040
Deferred payment loans	2 yrs	3% to 8%	112,750	64,676
Multi-family housing:				
Amortized loans	29 yrs	1%	<u>77,778</u>	<u>38,889</u>
Total Gross Central Eastside Urban Renewal Fund			<u>2,818,601</u>	<u>1,647,734</u>
Total Net Central Eastside Urban Renewal Fund				<u>1,170,867</u>
Interstate Corridor Urban Renewal Fund:				
Business services:				
Amortized loans	5 yrs	6%	2,017,799	586,202
Deferred payment loans	2 yrs	3% to 8%	133,000	72,685
Multi-family housing-				
Cash flow	60 yrs	0%	154,377	125,692
Neighborhood housing:				
Deferred payment loans	30 yrs	3%	177,022	194,570
Shared appreciation mortgages	Indefinite	0%	69,000	17,250
Amortized loans	20 yrs	4%	<u>64,129</u>	<u>13,640</u>
Total Gross Interstate Corridor Urban Renewal Fund			<u>2,555,327</u>	<u>1,010,039</u>
Total Net Interstate Corridor Urban Renewal Fund				<u>1,545,288</u>
Gateway Urban Renewal Fund:				
Business services:				
Deferred payment loans	2 yrs	3% to 8%	<u>102,794</u>	<u>90,078</u>
Total Gross Gateway Urban Renewal Fund			<u>102,794</u>	<u>90,078</u>
Total Net Gateway Urban Renewal Fund				<u>12,716</u>
Airport Way Urban Renewal Fund:				
Business services:				
Amortized loans	10 yrs	3%	352,976	57,971
Deferred payment loans	2 yrs	3% to 8%	109,844	84,573
In default loans	N/A	0%	<u>24,603</u>	<u>24,603</u>
Total Gross Airport Way Urban Renewal			<u>487,423</u>	<u>167,147</u>
Total Net Airport Way Urban Renewal Fund				<u>320,276</u>
Total Gross Other Governmental Funds			<u>39,460,075</u>	
Total Net Other Governmental Funds				<u>6,565,511</u>
<b>Total Gross Governmental Funds</b>			<b>\$ <u>236,055,474</u></b>	
<b>Total Net Governmental Funds</b>				<b>\$ <u>54,604,294</u></b>

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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>
<b>Enterprise Loans Fund</b>				
Business services:				
Amortized loans	5 yrs	5% to 9.25%	\$ 4,486,314	\$ 605,278
Cash flow loans	10 yrs	5%	200,000	190,702
Deferred payment loans	30 yrs	0%	15,000	8,116
In default loans	N/A	0%	771,075	771,075
Multi-family housing:				
Equity gap loans	Indefinite	0%	14,137,745	14,137,745
Deferred payment loans	30 yrs	0% to 7.91%	2,262,778	1,578,581
Amortized loans	30 yrs	0% to 10.25%	7,117,434	1,970,799
Cash flow loans	32 yrs	0% to 3%	13,811,888	9,705,820
Neighborhood housing:				
Amortized loans	30 yrs	0% to 6%	3,148,204	510,683
Deferred payment loans	30 yrs	0% to 3%	157,173	85,770
<b>Total Gross Enterprise Loans Fund</b>			<b>\$ 46,107,611</b>	<b>29,564,569</b>
<b>Total Net Enterprise Loans Fund</b>				<b>\$ 16,543,042</b>
<b>Total Gross All Funds</b>			<b>\$ 282,163,085</b>	
<b>Total Net All Funds</b>				<b>\$ 71,147,336</b>

Of the \$16,543,042 receivable in the Enterprise Loans Fund, \$5,789,349 is assigned as collateral on notes payable under the Private Lender Participation Agreement (Note III.G.).

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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>
<b>Development:</b>			
Amortized loans	7.27%	\$ 20,522,650	\$ 7,166,744
Cash flow loans	2.63%	7,411,474	7,170,293
Deferred payment loans	1.39%	3,908,207	2,654,213
Equity gap loans	0.38%	1,070,343	1,070,343
Development totals	<u>11.67%</u>	<u>32,912,674</u>	<u>18,061,593</u>
<b>Business services:</b>			
Amortized loans	5.49%	15,489,441	4,001,821
Cash flow loans	0.32%	908,223	625,560
Deferred payment loans	0.61%	1,708,201	1,036,271
Equity gap loans	0.25%	717,199	717,199
In default loans	0.28%	795,678	795,678
Business services totals	<u>6.95%</u>	<u>19,618,742</u>	<u>7,176,529</u>
<b>Multi-family housing:</b>			
Amortized loans	8.58%	24,213,847	12,214,604
Cash flow loans	37.21%	104,992,497	91,848,304
Deferred payment loans	6.55%	18,473,147	13,712,005
Equity gap loans	21.39%	60,368,170	60,368,170
In default loans	0.06%	162,295	162,295
Multi-family housing totals	<u>73.79%</u>	<u>208,209,956</u>	<u>178,305,378</u>
<b>Neighborhood housing:</b>			
Amortized loans	1.87%	5,269,585	850,776
Deferred payment loans	4.63%	13,061,290	5,833,578
Shared appreciation mortgages	1.08%	3,070,590	767,647
In default loans	0.01%	20,248	20,248
Neighborhood housing totals	<u>7.59%</u>	<u>21,421,713</u>	<u>7,472,249</u>
<b>Total Gross Loans</b>	<u>100.00%</u>	<u>\$ 282,163,085</u>	<u>211,015,749</u>
<b>Total Net Loans</b>			<u>\$ 71,147,336</u>
<b>Summary Loans Receivable Aging:</b>			
Current loans receivable, net		\$ 5,992,752	
Noncurrent loans receivable, net		<u>65,154,584</u>	
<b>Total Net Loans</b>		<u>\$ 71,147,336</u>	

The Loan Loss Allowance is comprised of both an interest discount factor and a loan loss risk factor. The total allowance at 6/30/07 is broken down as follows:

Interest Discount Factor	\$ 110,744,986
Loan Loss Risk Factor	<u>100,270,763</u>
Total Allowance and Discount	<u>\$ 211,015,749</u>

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**D. 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:

*Governmental Activities:*

General Fund	\$	146,754
Housing and Community Development Contract Fund		251,456
River District Urban Renewal Fund		18,161,983
Convention Center Urban Renewal Fund		21,097,030
South Park Blocks Urban Renewal Fund		10,159,713
Downtown Waterfront Urban Renewal Fund		11,124,744
North Macadam Urban Renewal Fund		22,108,277
Lents Town Center Urban Renewal Fund		2,254,347
Other Governmental Funds		<u>35,700,403</u>
Total Governmental Funds		121,004,707
Convention Center Urban Renewal Fund (note payable)		<u>168,340</u>
Total per Statement of Net Assets	\$	<u><u>121,173,047</u></u>

**E. Capital Assets**

Capital assets are composed of the following:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ <u>8,434,616</u>	\$ <u>633</u>	\$ <u>(624)</u>	\$ <u>8,434,625</u>
Capital assets, being depreciated:				
Buildings and improvements	2,707,441	-	-	2,707,441
Leasehold improvements	3,476,472	28,863	-	3,505,335
Furniture, vehicles and equipment	1,620,185	186,173	-	1,806,358
Total capital assets being depreciated	<u>7,804,098</u>	<u>215,036</u>	<u>-</u>	<u>8,019,134</u>
Less accumulated depreciation for:				
Buildings and improvements	(974,679)	(54,147)	-	(1,028,826)
Leasehold improvements	(579,412)	(585,175)	-	(1,164,587)
Furniture, vehicles and equipment	(1,495,970)	(48,734)	-	(1,544,704)
Total accumulated depreciation	<u>(3,050,061)</u>	<u>(688,056)</u>	<u>-</u>	<u>(3,738,117)</u>
Total capital assets, being depreciated, net	<u>4,754,037</u>	<u>(473,020)</u>	<u>-</u>	<u>4,281,017</u>
Governmental activities capital assets, net	\$ <u><u>13,188,653</u></u>	\$ <u><u>(472,387)</u></u>	\$ <u><u>(624)</u></u>	\$ <u><u>12,715,642</u></u>

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**F. Operating Leases**

**As Lessee**

PDC leases office space and land under operating leases. Rental expenditures amounted to approximately \$1,470,000. Future minimum lease payments under PDC's operating leases are as follows:

Fiscal Year Ending	Minimum Lease Payments
2008	1,468,680
2009	1,650,280
2010	1,667,350
2011	1,668,120
2012	139,010
	\$ 6,593,440

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 \$253,400.

**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 \$51,422,573, accumulated depreciation is \$1,028,826. Rental revenue amounted to approximately \$1,806,333 for the fiscal year. The minimum future operating non-cancelable lease revenues are as follows:

Fiscal Year Ending	Minimum Revenue Total
2008	\$ 280,877
2009	119,579
2010	3,474
2011	2,502
2012	2,502
2013-2017	12,506
2018-2022	12,506
2023-2027	12,506
2028-2031	12,506
	\$ 458,958

**G. Private Lender Participation Agreements and Notes Payable**

PDC incurred limited recourse debt with Bank of America, N.A., in the form of a Private Lender Participation Agreement (PLPA). This program combined the borrowed funds with grant funds to lend at a lower blended rate to homeowners and rental investors. These funds were then used to acquire and to rehabilitate residential properties. PDC can no longer borrow funds because the borrowing periods have expired.

Bank of America, N.A., lent PDC approximately \$9,500,000 starting in 1989. This debt had multiple

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interest rates and maturities. On June 28, 2001, PDC converted the \$4,645,400 balance of this PLPA debt to a 13-year term loan, with a 7.65% interest rate and a final maturity date of July 15, 2014. The level monthly payments on the term loan are \$47,088. Bank of America, N.A., has a \$500,000 limited recourse claim against any legally available PDC funds, if loan collateral pledged produces insufficient cash flow to make debt service payments

PDC may repay its Bank of America debt from prepayments of loans pledged to secure the debt. PDC received \$3,118,402 in eligible loan prepayments as of June 30, 2007 and prepaid \$500,000 of debt during the current fiscal year. Because the balance of this loan at June 30, 2007 is \$2,563,005, PDC may now repay this debt in whole or in part at any time.

Debt prepayments do not lower the fixed monthly debt service but shorten the debt maturity. Due to the \$500,000 current year prepayment the scheduled maturity on this debt is now February 15, 2013.

A comparison of notes payable and pledged loans receivable (net of allowance) under the Private Lender Participation Agreement is as follows:

Lender Institution	Notes Payable	Loans Receivable
Bank of America	\$ 2,563,005	\$ 5,789,349

The gross amount of pledged loans receivable, before deducting the allowance, is approximately \$7,070,354.

Future maturity of principal and interest of notes payable under the PLPA agreement, based on the assumption that there will be no additional prepayments, is as follows:

Fiscal Year Ending	Bank of America	
	Principal	Interest
2008	\$ 382,198	\$ 182,854
2009	412,483	152,568
2010	445,168	119,883
2011	480,443	84,608
2012-2013	842,713	54,932
	\$ 2,563,005	\$ 594,845

Total interest paid during fiscal year ended June 30, 2007 was \$226,959 and is recorded as a direct program expense in the Statement of Activities.

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Changes in Long-term Liabilities:

	Long-term Beginning Balance	Short-term Beginning Balance	Payments/ Reductions	Due Within One Year	Long-term Ending Balance
Governmental activities:					
Promissory note	\$ 168,340	\$ 50,415	\$ 50,415	\$ 50,415	\$ 117,925
Business-type activities:					
PLPA-Bank of America	3,082,610	315,985	835,590	382,198	2,180,807
All Activities	<u>\$ 3,250,950</u>	<u>\$ 366,400</u>	<u>\$ 866,400</u>	<u>\$ 432,613</u>	<u>\$ 2,298,732</u>

PDC issued a promissory note in January 2004 with a fixed rate of 6.5% per annum to purchase the Ashbrook property for \$385,000. As of June 30, 2007, the balance of the note is \$168,340 with an annual payment of \$50,415 payable on July 1<sup>st</sup> of each year through 2012.

**H. Amounts Due To and From the City of Portland**

Due To the City of Portland consists principally of loan principal and interest receivable on contracts for services under the Community Development Block Grants program administered by PDC for the City of Portland. Under this program, such principal and interest repayments are recycled through the Block Grant process. Other due to amounts are related to property held for sale which was acquired via grant funds and amounts drawn from the City. Balances of Due to the City of Portland by fund as of June 30, 2007 follow. Loans are stated net of valuation allowance.

	Loan Principal	Property Held for Sale	Internal Balances	Streetcar Project Advance	Accounts Payable	Ending Balance
Housing and Community						
Development Contract Fund	\$ 8,199,635	\$ 251,456	\$ 3,989,223	\$ -	\$ -	\$ 12,440,314
Other Federal Grants Fund	3,293,168	-	607,618	-	-	3,900,786
North Macadam Urban						
Renewal Fund	-	2,484,777	-	2,765,223	109,633	5,359,633
All Governmental Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,523,154</u>	<u>3,523,154</u>
Total	<u>\$ 11,492,803</u>	<u>\$ 2,736,233</u>	<u>\$ 4,596,841</u>	<u>\$ 2,765,223</u>	<u>\$ 3,632,787</u>	<u>\$ 25,223,887</u>

PDC has pledged the land known as South Waterfront Development Lots 3 and 8 in the North Macadam Urban Renewal Area. The property, recorded at cost of \$2,484,777, is security for \$5,250,000 in funds Due To the City of Portland related to the Portland Streetcar from Portland State to the River Place Project. Both parcels will be sold on or before June 30, 2008 to repay the City. It is expected that the sale will be sufficient to cover the funds advanced by the City.

Due From the City of Portland for grant revenues under various grant programs and other inter-governmental agreements totaled \$7,507,757 at June 30, 2007.

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**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.

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, URL: [http://Oregon.gov/PERS/financial\\_reports/financial.shtml](http://Oregon.gov/PERS/financial_reports/financial.shtml), or by calling 1-503-598-7377.

Benefits vest after five years of continuous service 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**

The rate of employer contributions to PERS is determined periodically by PERS based on actuarial valuations performed at least every two years. It is PDC's policy to recognize pension costs as currently funded.



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**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.

The most recent actuarial valuation was prepared for the period ending December 31, 2005. In February 2005, the City was notified by the PERS actuarial firm that based on the most recent actuarial valuation the City's contribution rate would be changing. Due to higher than expected rate increases system-wide, the PERS Board has decided to phase in the rate increases in two steps. A schedule of rates is shown below.

**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.

The required contribution was determined as part of the independent actuarial valuation using the entry age actuarial cost method. PDC, as a component unit of the City, does not maintain a separate PERS account. Accordingly, separate actuarial values for PDC are not available. The amortization method used is a 24-year closed group, fixed term. Significant economic assumptions used in the actuarial valuation include: (a) rate of return on the investment of present and future assets of 8 percent per annum compounded annually, (b) projected salary increases at 4 percent per year compounded annually, (c) increases due to promotions and longevity that vary by age and service, (d) pre- and post-mortality life expectancies of employees, based upon several mortality tables, (e) rates of withdrawal from active service before retirement for reasons other than death, rates of disabilities, and expected retirement ages developed on the basis of actual plan experience, (f) consumer price inflation at 3 percent per year, and (g) a factor for unused sick leave that is used to calculate retirement benefits under the Full Formula and Formula Plus Annuity benefit calculations.

**Other Supplementary Information**

**Schedule of Rates expressed as a percentage of covered payroll**

	FY 2005		FY 2006		FY 2007	
	PERS	OPSRP	PERS	OPSRP	PERS	OPSRP
PERS Defined Benefit Plan	4.26% & 3.84%	8.04%	8.07%	4.66%	6.66%	9.21%
Employee IAP*	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Total Contribution Rate	10.26% & 9.84%	14.04%	14.07%	10.66%	12.66%	15.21%

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

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The amounts contributed to PERS during the years ended June 30, 2005, 2006, and 2007 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**

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Covered Payroll	\$ 11,131,000	\$ 11,038,500	\$ 11,679,500
PERS Contributions*	1,142,130	1,511,868	1,512,262

\*As provided by OR 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:

<u>Fiscal Year Ended</u>	<u>Amount</u>
2005	305,528
2006	421,127
2007	533,383

**B. Other Postemployment Benefits**

In addition to the pension benefits described in Note IV.A., PDC provides postretirement health care benefits in accordance with PDC Personnel Policy XIII. Employee Benefits. This PDC policy 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. 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, 2007, PDC has seven eligible postretirement participants enrolled and they are paying the full cost of their premiums. PDC incurred no expenditures for the coverage of these benefits.

**C. Commitments**

Contractual and other commitments amounting to \$24,469,976 have been recorded as unreserved, designated fund balances for subsequent years' expenditures to indicate 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 \$808,825.

**PORTLAND DEVELOPMENT COMMISSION**  
**A Component Unit of the City of Portland, Oregon**  
**Notes to the Basic Financial Statements, Continued**  
**June 30, 2007**

**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.

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, 2007, the total of the City's conduit debt outstanding is \$127,805,000.

**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.

Under the Agreement, PDC specifically pledged all 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. PDC also pledged specified loans held by PDC for the City as additional collateral.

PDC and the City are required to jointly certify to U.S. Bank on a quarterly basis that cash receipts from pledged loans are at least 1.20 times quarterly debt service on this loan. In addition, the loan collateral

**PORTLAND DEVELOPMENT COMMISSION**  
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**Notes to the Basic Financial Statements, Continued**  
**June 30, 2007**

must at the end of each quarter have a principal balance at least 1.25 times the debt principal balance. Certified amounts jointly reported by the PDC and the City are as follows:

Quarter Ending	Total PCRI Debt Service	Total PDC Cash Receipts	Debt Service Coverage Ratio
September 30, 2006	\$ 156,288	\$ 265,090	1.70
December 31, 2006	156,288	315,396	2.02
March 31, 2007	156,288	267,808	1.71
June 30, 2007	156,288	296,115	1.89

Quarter Ending	Outstanding Loan Principal	Loan Principal Amount Pledged	Debt Principal Coverage Ratio
September 30, 2006	\$ 7,373,186	\$ 11,560,262	1.57
December 31, 2006	7,288,051	11,735,946	1.61
March 31, 2007	7,202,090	11,490,832	1.60
June 30, 2007	7,115,292	11,204,139	1.57

The quarterly certifications are in full compliance with terms of the agreement. The guarantee by the City is limited to the specific assets and income pledged. It is not a full faith and credit guarantee of either PDC or the City. PDC has confirmed with U.S. Bank that PCRI has made full and timely debt service payments under its term loan during the fiscal year ended June 30, 2007.

**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 risks of losses related to torts, errors and omissions, general liability, property claims, injuries to employees, 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 accident and each employee. PDC is covered by a commercial general liability policy including errors and omissions in the amount of \$1,000,000 per occurrence and \$2,000,000 in aggregate, an additional \$4,000,000 umbrella liability policy subject to \$10,000 deductible, and a blanket business personal property policy of \$25,514,000. A separate policy provides coverage for faithful performance (employee dishonesty) in the amount of \$300,000, providing protection from losses from forgery, alteration, theft, and disappearance.

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 generally been successful in resolving claims and has not suffered any significant losses over the past year. In addition, there have been no significant reductions in insurance coverage or any insurance settlements that exceeded insurance coverage in any of the past five fiscal years.

The Internal Service Fund has equity of \$396,109 to meet insurance policy deductible amounts and other amounts not fully reimbursed from insurance proceeds, as necessary.

**PORTLAND DEVELOPMENT COMMISSION**  
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**Notes to the Basic Financial Statements, Continued**  
**June 30, 2007**

Changes in the balances of claims liabilities during the past two fiscal years are as follows:

	2007	2006
Unpaid claims , beginning of fiscal year	\$ -	\$ -
Incurred claims (including IBNRs)	101,317	1,749
Claim payments	(101,317)	(1,749)
Unpaid claims, end of fiscal year	\$ -	\$ -

**G. Related Party Transactions**

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 (CDE) in August 2002, by the Community Development Financial Institutions (CDFI) Fund of the U.S. Department of the Treasury in order to become eligible for tax credits through the NMTC program.

PNMF has been awarded \$100 million in NMTC allocation authority as part of the NMTC program established by Congress. 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. PDC's role consists of project identification and sourcing, as well as veto and joint approval rights of proposed projects. PNMF's functions 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 functions are constitutionally prohibited to PDC in Article XI, Section 9 of the Oregon constitution.

Unrelated to the tax credit program, the following balances exist between PDC and PFF, and between PDC and PNMF:

- A promissory note for \$868,765, at 3% interest, dated January 2005 from PFF is also a working capital loan and is partially reserved at 50%. The promissory note requires periodic payments based on the level of outside investment and matures in January 2010. The current balance is \$163,060 at June 30, 2007.
- Two deferred payment loans for the historic Armory restoration project totaling \$4,600,000 to the Portland New Markets Investment Fund, another of PFF's subsidiaries. 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.
- Portland Small Business (PSB) Investment Program includes five fund-level loans between PDC and PSB with a total balance of \$3,060,000 at June 30, 2007 and 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 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

**PORTLAND DEVELOPMENT COMMISSION**  
**A Component Unit of the City of Portland, Oregon**  
**Notes to the Basic Financial Statements, Continued**  
**June 30, 2007**

fully amortizing loans at interest rates ranging from 3% to 6% for the next 13 years. Interstate Corridor URA, Lents URA and Oregon Convention Center URA all reserve these loans at a 5% rate.

A former Director of Resource Development for PDC now serves as the Chief Executive Officer and President of the Portland Family of Funds Holdings, Inc. A former PDC Commissioner is a member of the PFF board of directors.

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.

**I. Voluntary Non-Exchange Transaction**

***Fire Station #1***

In January 2005, PDC transferred title to the property known as Block 8 to the City of Portland as part of a Development Agreement to build a new Fire Station in Downtown Waterfront Urban Renewal Area. The agreement called for PDC to receive in exchange title to the existing Fire Station in the Ankeny District for future development. During the summer of 2006, the Portland City Council decided not to move forward with the project due to the rising costs of construction. A negotiated settlement transferred Block 8 back to PDC in March 2007. It has been recorded through a Voluntary Non-Exchange Transaction as Property Held For Sale at its original acquisition cost.

**J. Special Item**

***Airport Way Urban Renewal Area***

As a part of a Restructuring Agreement, completed July 13, 2006, PDC relinquished a \$14,000,000 subordinated claim on future profits at the Cascade Station retail, office building, and hotel development. The Commission received a 35.87 acre interest on land owned by the Port of Portland. As part of this agreement, PDC has the right to lease this property thru 2084 with an option to extend the lease for an additional 15 years. The land is located to the south of the new IKEA retail development.

The appraised value of the leasehold estate at January 10, 2005 ranged from a minimum of \$13,650,000 for an "as-is" bulk market sale, to \$20,300,000 if developed to its best and highest use for office buildings and hotels. Due to its marketability, PDC has recorded the lease rights as an intangible asset at the value

**PORTLAND DEVELOPMENT COMMISSION**  
**A Component Unit of the City of Portland, Oregon**  
**Notes to the Basic Financial Statements, Continued**  
**June 30, 2007**

of the subordinated claim it released and will amortize the asset over the life of the leases or until they are sold.

**K. Subsequent Events**

***Verizon NW Cell Tower Relocation***

In September 2005 PDC acquired the Public Storage property in the North Macadam Urban Renewal Area for redevelopment as a neighborhood park. As a result of this acquisition Verizon NW was required to move the cell tower they had located on a leased portion of the property. Per PDC policy *"any person who moves, or is required to move, his or her residence and personal property located on the premises, or his or her business, nonprofit organization or farm operation and personal property located on the premises as a result of...Acquisition of real property.."* is entitled to reimbursement of necessary and reasonable relocation expenses. Additionally the policy allows for claims to be filed up to one year after the completion of the move. Verizon NW completed their move in January 2006 and submitted a claim for reimbursement in excess of \$1.8 million. Verizon claimed it needed three replacement sites to replace the former site, PDC's Relocation Policy allows for payment of expenses related to the move of one site (or the equivalent). Based on the documentation submitted by Verizon, PDC was able to approve \$95,153 in reimbursable relocation costs. An additional \$21,227 in costs were identified as potentially reimbursable should Verizon provide supporting documentation. PDC's response and check for \$95,153 was mailed to Verizon in September. Verizon was given an additional 30 days within which to provide documentation to support payment of the \$21,227 in additional costs. Verizon was also given 60 days from 9/12/07 within which to request a review of our response to their relocation claim under PDC's "grievance" procedure outlined in our relocation policy.

***Portland Saturday Market HUD 108 Loan Defeasance***

In September 2007, PDC paid \$2,885,306 on behalf of the City of Portland to defease the City's outstanding HUD 108 Loan for the Portland Saturday Market. Portland Saturday Market was technically in default on its principal and interest payments on the loan, which PDC also made on the City's behalf. In exchange for making the HUD 108 Loan defeasance payment, PDC was able to take title to the property known as the Skidmore Fountain Building in Old Town China Town. PDC administers other HUD 108 Loan Guarantee Program loans on behalf of the City of Portland under an intergovernmental agreement.

# Supplementary Data

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



# PDC

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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.

*Other Federal Grants* - accounts for revenues and expenditures under the US Department of Housing and Urban Development's HOME Investment Partnership Program administered through the City of Portland's Bureau of Housing & Community Development.

*Housing Acquisitions Fund* - accounts for acquisition, construction, and property management for the City of Portland's Housing Preservation Line of Credit and City Lights Housing Revenue Bond programs.

*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.

*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.

*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, including the Interstate MAX line.

*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.

# PDC

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

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2007

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>			
Cash with City of Portland investment pool	\$ 949,125	\$ 13,581,737	\$ 14,530,862
Receivables:			
Due from City of Portland	78,298	2,000,000	2,078,298
Due from other funds	607,618	-	607,618
Loans, net	3,516,364	3,049,147	6,565,511
Interest	9,845	98,170	108,015
Property held for sale	-	35,700,402	35,700,402
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total assets</b>	<b>\$ 5,161,250</b>	<b>\$ 54,429,456</b>	<b>\$ 59,590,706</b>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 248,047	\$ 3,199,614	\$ 3,447,661
Due to City of Portland	3,900,786	286,213	4,186,999
Due to other entities	-	25,000	25,000
Due to other funds	77,498	1,125,809	1,203,307
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	4,226,331	4,636,636	8,862,967
 <b>Fund balances:</b>			
Reserved for:			
Loans receivable	5,000	3,049,147	3,054,147
Property held for sale	-	35,700,403	35,700,403
Unreserved, designated for			
Subsequent year's expenditures	106,665	3,506,678	3,613,343
Unreserved, undesignated reported in:			
Special Revenue Funds	823,254	-	823,254
Capital Projects Funds	-	7,536,592	7,536,592
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total fund balances	934,919	49,792,820	50,727,739
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total liabilities and fund balances</b>	<b>\$ 5,161,250</b>	<b>\$ 54,429,456</b>	<b>\$ 59,590,706</b>

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

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
June 30, 2007**

	<u>Other Federal Grants Fund</u>	<u>Housing Acquisitions Fund</u>	<u>Ambassador Program Fund</u>
<b>ASSETS</b>			
Cash with City of Portland investment pool	\$ -	\$ 13	\$ 421,098
Receivables:			
Due from City of Portland	78,298	-	-
Due from other funds	607,618	-	-
Loans receivable, net	3,511,364	-	-
Interest	-	-	4,299
<b>Total assets</b>	<u>\$ 4,197,280</u>	<u>\$ 13</u>	<u>\$ 425,397</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities-</b>			
Accounts payable	\$ 218,996	\$ -	\$ 29,051
Due to City of Portland	3,900,786	-	-
Due to other funds	77,498	-	-
Total liabilities	<u>4,197,280</u>	<u>-</u>	<u>29,051</u>
 <b>Fund balances:</b>			
Reserved for			
Loans receivable	-	-	-
Unreserved, designated for			
Subsequent year's expenditures	-	-	105,203
Unreserved, undesignated	-	13	291,143
Total fund balances	<u>-</u>	<u>13</u>	<u>396,346</u>
<b>Total liabilities and fund balances</b>	<u>\$ 4,197,280</u>	<u>\$ 13</u>	<u>\$ 425,397</u>

<b>Enterprise Zone Fund</b>	<b>Total</b>
\$ 528,014	\$ 949,125
-	78,298
-	607,618
5,000	3,516,364
<u>5,546</u>	<u>9,845</u>
<u>\$ 538,560</u>	<u>\$ 5,161,250</u>
\$ -	\$ 248,047
-	3,900,786
<u>-</u>	<u>77,498</u>
<u>-</u>	<u>4,226,331</u>
5,000	5,000
1,462	106,665
<u>532,098</u>	<u>823,254</u>
<u>538,560</u>	<u>934,919</u>
<u>\$ 538,560</u>	<u>\$ 5,161,250</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, 2007

	<u>Central Eastside Urban Renewal Fund</u>	<u>Interstate Corridor Urban Renewal Fund</u>	<u>Gateway Urban Renewal Fund</u>
<b>ASSETS</b>			
Cash with City of Portland investment pool	\$ 2,125,326	\$ 2,908,736	\$ 2,095,733
Receivables:			
Due from City of Portland	-	-	2,000,000
Loans, net	1,170,867	1,545,288	12,716
Interest	16,503	15,426	20,402
Property held for sale	<u>12,846,959</u>	<u>2,369,234</u>	<u>1,531,922</u>
<b>Total assets</b>	<u>\$ 16,159,655</u>	<u>\$ 6,838,684</u>	<u>\$ 5,660,773</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 59,759	\$ 110,504	\$ 3,004,736
Due to City of Portland	3,642	261,921	20,650
Due to other entities	-	25,000	-
Due to other funds	<u>-</u>	<u>1,125,809</u>	<u>-</u>
Total liabilities	<u>63,401</u>	<u>1,523,234</u>	<u>3,025,386</u>
<b>Fund balances:</b>			
Reserved for:			
Loans receivable	1,170,867	1,545,288	12,716
Property held for sale	12,846,960	2,369,234	1,531,922
Unreserved, designated for			
Subsequent year's expenditures	828,241	1,862,268	161,884
Unreserved, undesignated	<u>1,250,186</u>	<u>(461,340)</u>	<u>928,865</u>
Total fund balances	<u>16,096,254</u>	<u>5,315,450</u>	<u>2,635,387</u>
<b>Total liabilities and fund balances</b>	<u>\$ 16,159,655</u>	<u>\$ 6,838,684</u>	<u>\$ 5,660,773</u>

<b>Airport Way Urban Renewal Fund</b>	<b>Total</b>
\$ 6,451,942	\$ 13,581,737
-	2,000,000
320,276	3,049,147
45,839	98,170
<u>18,952,287</u>	<u>35,700,402</u>
<u>\$ 25,770,344</u>	<u>\$ 54,429,456</u>
\$ 24,615	\$ 3,199,614
-	286,213
-	25,000
<u>-</u>	<u>1,125,809</u>
<u>24,615</u>	<u>4,636,636</u>
320,276	3,049,147
18,952,287	35,700,403
654,285	3,506,678
<u>5,818,881</u>	<u>7,536,592</u>
<u>25,745,729</u>	<u>49,792,820</u>
<u>\$ 25,770,344</u>	<u>\$ 54,429,456</u>



# PDC

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PORTLAND  
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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, 2007

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES</b>			
Intergovernmental revenues	\$ 4,394,205	\$ -	\$ 4,394,205
Charges for services	72,376	709,087	781,463
Loan interest collections	395,301	168,040	563,341
Interest on investments	40,784	420,926	461,710
Miscellaneous	502,735	441,780	944,515
Tax increment debt proceeds (in lieu of tax increment revenue)	<u>-</u>	<u>14,258,761</u>	<u>14,258,761</u>
Total revenues	<u>5,405,401</u>	<u>15,998,594</u>	<u>21,403,995</u>
<b>EXPENDITURES</b>			
Current-			
Community development	309,940	8,907,970	9,217,910
Capital outlay	2,855,441	1,771,777	4,627,218
Financial assistance	<u>2,133,956</u>	<u>4,832,782</u>	<u>6,966,738</u>
Total expenditures	<u>5,299,337</u>	<u>15,512,529</u>	<u>20,811,866</u>
Excess (deficiency) of revenues over expenditures	<u>106,064</u>	<u>486,065</u>	<u>592,129</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers in	76,684	-	76,684
Transfers out	<u>(430)</u>	<u>-</u>	<u>(430)</u>
Total other financing sources (uses)	76,254	-	76,254
Special Item	<u>-</u>	<u>14,550,302</u>	<u>14,550,302</u>
Net change in fund balances	182,318	15,036,367	15,218,685
<b>FUND BALANCES - July 1, 2006</b>	<u>752,601</u>	<u>34,756,452</u>	<u>35,509,053</u>
<b>FUND BALANCES - June 30, 2007</b>	<u>\$ 934,919</u>	<u>\$ 49,792,819</u>	<u>\$ 50,727,738</u>

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

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
For The Fiscal Year Ended June 30, 2007**

	<b>Other Federal Grants Fund</b>	<b>Housing Acquisitions Fund</b>
	<u>                    </u>	<u>                    </u>
<b>REVENUES</b>		
Intergovernmental revenues	\$ 1,538,764	\$ 2,855,441
Charges for services	72,376	-
Loan collections	395,301	-
Interest on investments	-	13
Miscellaneous	161	-
	<u>                    </u>	<u>                    </u>
Total revenues	<u>2,006,602</u>	<u>2,855,454</u>
 <b>EXPENDITURES</b>		
Current-		
Community development	123	-
Capital outlay	-	2,855,441
Financial assistance	2,023,956	-
	<u>                    </u>	<u>                    </u>
Total expenditures	<u>2,024,079</u>	<u>2,855,441</u>
 Excess (deficiency) of revenues over expenditures	<u>(17,477)</u>	<u>13</u>
 <b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	-	4,192
Transfers out	(28)	(402)
	<u>                    </u>	<u>                    </u>
Total other financing sources (uses)	<u>(28)</u>	<u>3,790</u>
 Net change in fund balances	(17,505)	3,803
 <b>FUND BALANCES - July 1, 2006</b>	<u>17,505</u>	<u>(3,790)</u>
 <b>FUND BALANCES - June 30, 2007</b>	<u>\$ -</u>	<u>\$ 13</u>

<b>Ambassador Program Fund</b>	<b>Enterprise Zone Fund</b>	<b>Total</b>
\$ -	\$ -	\$ 4,394,205
-	-	72,376
-	-	395,301
10,096	30,675	40,784
<u>467,065</u>	<u>35,509</u>	<u>502,735</u>
<u>477,161</u>	<u>66,184</u>	<u>5,405,401</u>
192,924	116,893	309,940
-	-	2,855,441
<u>-</u>	<u>110,000</u>	<u>2,133,956</u>
<u>192,924</u>	<u>226,893</u>	<u>5,299,337</u>
<u>284,237</u>	<u>(160,709)</u>	<u>106,064</u>
72,492	-	76,684
<u>-</u>	<u>-</u>	<u>(430)</u>
<u>72,492</u>	<u>-</u>	<u>76,254</u>
356,729	(160,709)	182,318
<u>39,617</u>	<u>699,269</u>	<u>752,601</u>
<u>\$ 396,346</u>	<u>\$ 538,560</u>	<u>\$ 934,919</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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget-
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenues:				
Federal grants	\$ 4,453,666	\$ 5,646,638	\$ 2,009,435	\$ (3,637,203)
Charges for services-				
Application fees and charges	-	-	72,376	72,376
Loan Collections:				
Principal	173,167	173,167	246,716	73,549
Interest	173,167	173,167	148,585	(24,582)
Miscellaneous-				
Reimbursements	-	-	161	161
Contra program income	-	-	(470,671)	(470,671)
Total revenues	<u>4,800,000</u>	<u>5,992,972</u>	<u>2,006,602</u>	<u>(3,986,370)</u>
<b>EXPENDITURES</b>				
Current-				
Community development-				
Housing	<u>4,800,000</u>	<u>5,993,000</u>	<u>2,024,079</u>	<u>3,968,921</u>
Excess (deficiency) of revenues over expenditures	-	(28)	(17,477)	(17,449)
<b>OTHER FINANCING USES</b>				
Transfers in-				
Enterprise Loans Fund	<u>-</u>	<u>-</u>	<u>77,498</u>	<u>77,498</u>
Total transfers in	<u>-</u>	<u>-</u>	<u>77,498</u>	<u>77,498</u>
Transfers out-				
Enterprise Loans Fund	<u>-</u>	<u>(17,477)</u>	<u>(28)</u>	<u>17,449</u>
Total transfers out	<u>-</u>	<u>(17,477)</u>	<u>(28)</u>	<u>17,449</u>
Total other financing sources (uses)	<u>-</u>	<u>(17,477)</u>	<u>77,470</u>	<u>94,947</u>
Net change in fund balance	-	(17,505)	59,993	77,498
<b>FUND BALANCE - July 1, 2006</b>	<u>-</u>	<u>17,505</u>	<u>17,505</u>	<u>-</u>
<b>FUND BALANCE - June 30, 2007</b>	<u>\$ -</u>	<u>\$ -</u>	<u>77,498</u>	<u>\$ 77,498</u>
<b>Adjustments to generally accepted accounting basis-</b>				
Interfund advances			<u>(77,498)</u>	
<b>FUND BALANCE - June 30, 2007 (GAAP BASIS)</b>			<u>\$ -</u>	

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

HOUSING ACQUISITIONS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For The Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget-
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenues-				
City of Portland	\$ 2,970,000	\$ 2,970,000	\$ 2,855,441	\$ (114,559)
Interest on investments	-	-	13	13
<b>Total revenues</b>	<b>2,970,000</b>	<b>2,970,000</b>	<b>2,855,454</b>	<b>(114,546)</b>
<b>EXPENDITURES</b>				
Current-				
Community development-				
Housing	2,970,000	2,970,000	2,855,441	114,559
Excess of revenues over expenditures	-	-	13	13
<b>OTHER FINANCING USES</b>				
Transfers in-				
Enterprise Loans Fund	-	4,192	4,192	-
<b>Total transfers in</b>	<b>-</b>	<b>4,192</b>	<b>4,192</b>	<b>-</b>
Transfers out-				
South Park Blocks Urban Renewal Fund	-	(402)	(402)	-
<b>Total transfers out</b>	<b>-</b>	<b>(402)</b>	<b>(402)</b>	<b>-</b>
<b>Total other financing sources (uses) over expenditures and Net change in fund balance</b>	<b>-</b>	<b>3,790</b>	<b>3,790</b>	<b>-</b>
<b>FUND BALANCE - July 1, 2006</b>	<b>-</b>	<b>(3,790)</b>	<b>(3,790)</b>	<b>-</b>
<b>FUND BALANCE - June 30, 2007</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 13</b>	<b>\$ 13</b>

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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget-
	Original	Final		
<b>REVENUES</b>				
Interest on investments	\$ 1,000	\$ 1,000	\$ 10,096	\$ 9,096
Miscellaneous:				
Reimbursements	-	-	125	125
Private grants and donations	79,000	229,000	466,940	237,940
Total revenues	80,000	230,000	477,161	247,161
<b>EXPENDITURES</b>				
Current-				
Community development- Economic Development	80,000	342,109	192,924	149,185
Excess (deficiency) of revenues over expenditures	-	(112,109)	284,237	396,346
<b>OTHER FINANCING USES</b>				
Transfers in-				
General Fund	-	72,492	72,492	-
Total transfers in	-	72,492	72,492	-
Net change in fund balance	-	(39,617)	356,729	396,346
<b>FUND BALANCE - July 1, 2006</b>	-	39,617	39,617	-
<b>FUND BALANCE - June 30, 2007</b>	\$ -	\$ -	\$ 396,346	\$ 396,346

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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget-
	Original	Final		
<b>REVENUES</b>				
Interest on investments	\$ 20,000	\$ 20,000	\$ 30,675	\$ 10,675
Miscellaneous-				
Reimbursements	-	-	108	108
Miscellaneous	-	-	35,509	35,509
Total revenues	<u>20,000</u>	<u>20,000</u>	<u>66,292</u>	<u>46,292</u>
<b>EXPENDITURES</b>				
Current-				
Community development-				
Economic Development	<u>620,000</u>	<u>719,269</u>	<u>232,001</u>	<u>487,268</u>
Total expenditures	<u>620,000</u>	<u>719,269</u>	<u>232,001</u>	<u>487,268</u>
Excess (deficiency) of revenues over expenditures and net change in fund balance	(600,000)	(699,269)	(165,709)	533,560
<b>FUND BALANCE - July 1, 2006</b>	<u>600,000</u>	<u>699,269</u>	<u>699,269</u>	-
<b>FUND BALANCE - June 30, 2007</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 533,560</u>	<u>\$ 533,560</u>



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

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 For The Fiscal Year Ended June 30, 2007**

	<b>Central Eastside Urban Renewal Fund</b>	<b>Interstate Corridor Urban Renewal Fund</b>
<b>REVENUES</b>		
Charges for services	\$ 672,313	\$ 28,074
Loan interest collections	89,240	61,369
Interest on investments	39,046	48,593
Miscellaneous	118	186,890
Tax increment debt proceeds (in lieu of tax increment revenue)	<u>5,286,940</u>	<u>5,692,717</u>
Total revenues	<u>6,087,657</u>	<u>6,017,643</u>
<b>EXPENDITURES</b>		
Current-		
Community development	1,316,312	2,697,525
Capital outlay	706,997	108,862
Financial assistance	<u>2,537,025</u>	<u>1,286,729</u>
Total expenditures	<u>4,560,334</u>	<u>4,093,116</u>
Excess (deficiency) of revenues over expenditures	1,527,323	1,924,527
<b>OTHER FINANCING SOURCES</b>		
Special Item	<u>-</u>	<u>-</u>
Net change in fund balances	1,527,323	1,924,527
<b>FUND BALANCES - July 1, 2006</b>	<u>14,568,932</u>	<u>3,390,923</u>
<b>FUND BALANCES - June 30, 2007</b>	<u>\$ 16,096,255</u>	<u>\$ 5,315,450</u>

<b>Gateway Regional Center Urban Renewal Fund</b>	<b>Airport Way Urban Renewal Fund</b>	<b>Total</b>
\$ 262	\$ 8,438	\$ 709,087
3,346	14,085	168,040
103,386	229,901	420,926
19	254,753	441,780
<u>3,279,104</u>	<u>-</u>	<u>14,258,761</u>
<u>3,386,117</u>	<u>507,177</u>	<u>15,998,594</u>
3,766,219	1,127,914	8,907,970
154,923	800,995	1,771,777
<u>122,277</u>	<u>886,751</u>	<u>4,832,782</u>
<u>4,043,419</u>	<u>2,815,660</u>	<u>15,512,529</u>
(657,302)	(2,308,483)	486,065
<u>-</u>	<u>14,550,302</u>	<u>14,550,302</u>
(657,302)	12,241,819	15,036,367
<u>3,292,688</u>	<u>13,503,909</u>	<u>34,756,452</u>
<u>\$ 2,635,386</u>	<u>\$ 25,745,728</u>	<u>\$ 49,792,819</u>

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

RIVER DISTRICT URBAN RENEWAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For The Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for services:				
Application fees and charges	\$ -	\$ -	\$ 11,169	\$ 11,169
Rental income	-	-	204,839	204,839
Loan Collections:				
Principal	187,013	187,013	443,405	256,392
Interest	187,014	187,014	861,054	674,040
Interest on investments	100,000	154,000	142,836	(11,164)
Miscellaneous:				
Reimbursements	200,000	200,000	71,491	(128,509)
Tax increment debt proceeds (in lieu of tax increment revenue)	19,132,289	19,132,289	15,534,557	(3,597,732)
<b>Total revenues</b>	<b>19,806,316</b>	<b>19,860,316</b>	<b>17,269,351</b>	<b>(2,590,965)</b>
<b>EXPENDITURES</b>				
Current:				
Community development:				
Development	6,433,662	7,180,999	3,865,663	3,315,336
Economic Development	4,637,793	4,987,793	2,301,358	2,686,435
Housing	7,547,353	7,547,353	2,435,121	5,112,232
Finance	122,419	122,419	106,031	16,388
Total Community development	18,741,227	19,838,564	8,708,173	11,130,391
Contingency	1,276,993	1,776,993	-	1,776,993
<b>Total expenditures</b>	<b>20,018,220</b>	<b>21,615,557</b>	<b>8,708,173</b>	<b>12,907,384</b>
Excess (deficiency) of revenues over expenditures	(211,904)	(1,755,241)	8,561,178	10,316,419
Net change in fund balance	(211,904)	(1,755,241)	8,561,178	10,316,419
<b>FUND BALANCE - July 1, 2006</b>	<b>211,904</b>	<b>1,755,241</b>	<b>1,755,241</b>	<b>-</b>
<b>FUND BALANCE - June 30, 2007</b>	<b>\$ -</b>	<b>\$ -</b>	<b>10,316,419</b>	<b>\$ 10,316,419</b>
<b>Adjustments to generally accepted accounting principles basis:</b>				
Loans receivable, net			14,629,908	
Property held for sale			18,161,983	
<b>FUND BALANCE - June 30, 2007 (GAAP BASIS)</b>			<b>\$ 43,108,310</b>	

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

CONVENTION CENTER URBAN RENEWAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For The Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for services:				
Application fees and charges	\$ -	\$ -	\$ 298	\$ 298
Rental income	41,700	41,700	81,779	40,079
Loan Collections:				
Principal	677,621	888,621	906,025	17,404
Interest	77,621	77,621	145,362	67,741
Interest on investments	50,000	50,000	376,995	326,995
Miscellaneous:				
Reimbursements	50,000	110,000	224,660	114,660
Sale of real property	-	-	126,500	126,500
Other	-	-	374,191	374,191
Tax increment debt proceeds (in lieu of tax increment revenue)	20,720,042	20,720,042	15,166,809	(5,553,233)
<b>Total revenues</b>	<b>21,616,984</b>	<b>21,887,984</b>	<b>17,402,619</b>	<b>(4,485,365)</b>
<b>EXPENDITURES</b>				
Current:				
Community development:				
Development	15,197,712	15,058,712	11,058,844	3,999,868
Economic Development	4,239,534	4,814,534	2,174,047	2,640,487
Housing	6,229,702	2,325,702	1,700,143	625,559
Finance	22,419	22,419	11,147	11,272
Total Community development	25,689,367	22,221,367	14,944,182	7,277,186
Contingency	1,723,226	6,208,791	-	6,208,791
<b>Total expenditures</b>	<b>27,412,593</b>	<b>28,430,158</b>	<b>14,944,182</b>	<b>13,485,977</b>
Excess (deficiency) of revenues over expenditures	(5,795,609)	(6,542,174)	2,458,437	9,000,611
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in-				
Interstate Corridor Urban Renewal Fund	500,000	500,000	-	(500,000)
<b>Total other financing sources (uses)</b>	<b>500,000</b>	<b>500,000</b>	<b>-</b>	<b>(500,000)</b>
Net change in fund balance	(5,295,609)	(6,042,174)	2,458,437	8,500,611
<b>FUND BALANCE - July 1, 2006</b>	<b>5,295,609</b>	<b>6,042,174</b>	<b>6,042,174</b>	<b>-</b>
<b>FUND BALANCE - June 30, 2007</b>	<b>\$ -</b>	<b>\$ -</b>	<b>8,500,611</b>	<b>\$ 8,500,611</b>
<b>Adjustments to generally accepted accounting principles basis:</b>				
Loans receivable, net			5,832,883	
Interfund advances			1,125,809	
Property held for sale			21,097,030	
<b>FUND BALANCE - June 30, 2007 (GAAP BASIS)</b>			<b>\$ 36,556,333</b>	

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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for services:				
Application fees and charges	\$ -	\$ -	\$ 2,121	\$ 2,121
Rental income	250,000	250,000	212,841	(37,159)
Loan Collections:				
Principal	395,824	395,824	771,914	376,090
Interest	145,825	145,825	136,092	(9,733)
Interest on investments	350,000	658,426	1,162,355	503,929
Miscellaneous:				
Reimbursements	-	-	1,174	1,174
Tax increment debt proceeds (in lieu of tax increment revenue)	3,383,396	3,383,396	3,617,466	234,070
<b>Total revenues</b>	<b>4,525,045</b>	<b>4,833,471</b>	<b>5,903,963</b>	<b>1,070,492</b>
<b>EXPENDITURES</b>				
Current:				
Community development:				
Development	11,506,763	13,115,763	9,116,615	3,999,148
Economic Development	3,018,627	3,267,313	1,785,772	1,481,541
Housing	10,505,909	6,891,777	6,708,421	183,356
Finance	122,419	122,419	96,414	26,005
Total Community development	25,153,718	23,397,272	17,707,222	5,690,050
Contingency	3,391,702	6,707,405	-	6,707,405
<b>Total expenditures</b>	<b>28,545,420</b>	<b>30,104,677</b>	<b>17,707,222</b>	<b>12,397,455</b>
Excess (deficiency) of revenues over expenditures	(24,020,375)	(25,271,206)	(11,803,259)	13,467,947
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in-				
Housing and Community Development Contract Fund	-	402	402	-
<b>Total transfers in</b>	<b>-</b>	<b>402</b>	<b>402</b>	<b>-</b>
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>402</b>	<b>402</b>	<b>-</b>
Net change in fund balance	(24,020,375)	(25,270,804)	(11,802,857)	13,467,947
<b>FUND BALANCE - July 1, 2006</b>	<b>24,020,375</b>	<b>25,270,804</b>	<b>25,270,804</b>	<b>-</b>
<b>FUND BALANCE - June 30, 2007</b>	<b>\$ -</b>	<b>\$ -</b>	<b>13,467,947</b>	<b>\$ 13,467,947</b>
<b>Adjustments to generally accepted accounting principles basis:</b>				
Loans receivable, net			4,266,658	
Property held for sale			10,159,713	
<b>FUND BALANCE - June 30, 2007 (GAAP BASIS)</b>			<b>\$ 27,894,318</b>	

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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for services:				
Application fees and charges	\$ -	\$ -	\$ 43,395	\$ 43,395
Rental income	350,000	350,000	437,733	87,733
Loan Collections:				
Principal	935,000	935,000	1,187,427	252,427
Interest	342,089	342,089	377,908	35,819
Interest on investments	300,000	484,564	839,420	354,856
Miscellaneous:				
Reimbursements	200,000	200,000	129,375	(70,625)
Sale of real property	1,402,000	1,402,000	425,000	(977,000)
Other	-	-	-	-
Tax increment debt proceeds (in lieu of tax increment revenue)	5,819,853	5,819,853	6,500,447	680,594
Total revenues	9,348,942	9,533,506	9,940,705	407,199
<b>EXPENDITURES</b>				
Current:				
Community development:				
Development	15,485,646	18,692,415	17,256,157	1,436,258
Economic Development	3,797,992	4,784,010	2,638,294	2,145,716
Housing	7,983,210	8,583,210	7,206,234	1,376,976
Finance	122,419	162,419	165,970	(3,551)
Total Community development	27,389,267	32,222,054	27,266,655	4,955,399
Contingency	1,925,295	289,376	-	289,376
Total expenditures	29,314,562	32,511,430	27,266,655	5,244,775
Excess (deficiency) of revenues over expenditures	(19,965,620)	(22,977,924)	(17,325,951)	5,651,973
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in-				
General Fund	1,860,233	1,860,233	1,860,233	-
Total transfers in	1,860,233	1,860,233	1,860,233	-
Total other financing sources (uses)	1,860,233	1,860,233	1,860,233	-
Net change in fund balance	(18,105,387)	(21,117,691)	(15,465,718)	5,651,973
<b>FUND BALANCE - July 1, 2006</b>	18,105,387	21,117,691	21,117,690	(1)
<b>FUND BALANCE - June 30, 2007</b>	\$ -	\$ -	5,651,972	\$ 5,651,972
<b>Adjustments to generally accepted accounting principles basis:</b>				
Loans receivable, net			10,135,881	
Accounts receivable-others			1,157,381	
Property held for sale			11,124,745	
<b>FUND BALANCE - June 30, 2007 (GAAP BASIS)</b>			\$ 28,069,979	

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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for services-				
Application fees and charges	\$ -	\$ -	\$ 71	\$ 71
Rental income	279,000	279,000	672,242	393,242
Loan Collections:				
Principal	17,064	17,064	138,805	121,741
Interest	-	-	89,240	89,240
Interest on investments	25,000	25,000	39,046	14,046
Miscellaneous:				
Reimbursements	-	-	118	118
Tax increment debt proceeds (in lieu of tax increment revenue)	-	6,291,985	5,286,940	(1,005,045)
<b>Total revenues</b>	<b>321,064</b>	<b>6,613,049</b>	<b>6,226,462</b>	<b>(386,587)</b>
<b>EXPENDITURES</b>				
Current:				
Community Dev: Transfers Out				
Community development:				
Development	2,102,132	2,477,132	2,276,515	200,617
Economic Development	2,881,684	4,581,684	3,285,136	1,296,548
Housing	21,453	21,453	20,065	1,388
Finance	8,757	18,757	18,026	731
Total Community development	5,014,026	7,099,026	5,599,742	1,499,284
Contingency	1,911,731	965,731	-	965,731
<b>Total expenditures</b>	<b>6,925,757</b>	<b>8,064,757</b>	<b>5,599,742</b>	<b>2,465,015</b>
Excess (deficiency) of revenues over expenditures	(6,604,693)	(1,451,708)	626,720	2,078,428
Net change in fund balance	(6,604,693)	(1,451,708)	626,720	2,078,428
<b>FUND BALANCE - July 1, 2006</b>	<b>6,604,693</b>	<b>1,451,708</b>	<b>1,451,708</b>	<b>-</b>
<b>FUND BALANCE - June 30, 2007</b>	<b>\$ -</b>	<b>\$ -</b>	<b>2,078,428</b>	<b>\$ 2,078,428</b>
<b>Adjustments to generally accepted accounting principles basis:</b>				
Loans receivable, net			1,170,867	
Property held for sale			12,846,960	
<b>FUND BALANCE - June 30, 2007 (GAAP BASIS)</b>			<b>\$ 16,096,255</b>	

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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenues-				
Federal grants	\$ 1,248,000	\$ 1,367,724	\$ 402,724	\$ (965,000)
Charges for services:				
Rental income	38,400	38,400	61,716	23,316
Contractual service charges	274,824	274,824	274,824	-
Loan Collections:				
Principal	-	400,000	425,000	25,000
Interest on investments	50,000	50,000	-	(50,000)
Miscellaneous:				
Reimbursements	542,505	542,505	583,166	40,661
Miscellaneous	-	-	1,187	1,187
Tax increment debt proceeds (in lieu of tax increment revenue)	28,625,871	30,089,070	26,274,595	(3,814,475)
Total revenues	<u>30,779,600</u>	<u>32,762,523</u>	<u>28,023,212</u>	<u>(4,739,311)</u>
<b>EXPENDITURES</b>				
Current:				
Community development:				
Development	18,856,478	22,244,681	18,945,080	3,299,601
Economic Development	1,088,298	1,112,798	686,274	426,524
Housing	10,820,462	10,820,462	8,763,935	2,056,527
Finance	14,362	64,362	79,793	(15,431)
Total Community development	<u>30,779,600</u>	<u>34,242,303</u>	<u>28,475,082</u>	<u>5,767,221</u>
Excess of revenues over expenditures	<u>-</u>	<u>(1,479,780)</u>	<u>(451,870)</u>	<u>1,027,910</u>
Net change in fund balance	-	(1,479,780)	(451,870)	1,027,910
<b>FUND BALANCE - July 1, 2006</b>	<u>-</u>	<u>1,479,780</u>	<u>1,479,780</u>	<u>-</u>
<b>FUND BALANCE - June 30, 2007</b>	<u>\$ -</u>	<u>\$ -</u>	<u>1,027,910</u>	<u>\$ 1,027,910</u>
<b>Adjustments to generally accepted accounting principles basis:</b>				
Loans receivable, net			2,323,698	
Property held for sale			22,108,279	
Due to City of Portland			<u>(5,250,000)</u>	
<b>FUND BALANCE - June 30, 2007 (GAAP BASIS)</b>			<u>\$ 20,209,887</u>	



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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for services:				
Application fees and charges	\$ -	\$ -	\$ 2,610	\$ 2,610
Rental income	-	-	25,463	25,463
Loan Collections:				
Principal	-	-	164,353	164,353
Interest	64,216	64,216	61,369	(2,847)
Interest on investments	40,000	40,000	48,593	8,593
Miscellaneous:				
Reimbursements	-	-	550	550
Sale of real property	500,000	500,000	496,339	(3,661)
Tax increment debt proceeds (in lieu of tax increment revenue)	10,195,337	10,195,337	5,692,717	(4,502,620)
Total revenues	10,799,553	10,799,553	6,491,994	(4,307,559)
<b>EXPENDITURES</b>				
Current:				
Community development:				
Development	5,261,028	5,307,062	2,641,593	2,665,469
Economic Development	2,290,228	2,597,166	1,976,147	621,019
Housing	3,367,940	2,334,940	1,093,018	1,241,922
Finance	16,814	21,814	17,129	4,685
Total Community development	10,936,010	10,260,982	5,727,887	4,533,095
Contingency	631,720	1,801,201	-	1,801,201
Total expenditures	11,567,730	12,062,183	5,727,887	6,334,296
Excess (deficiency) of revenues over expenditures	(768,177)	(1,262,630)	764,107	2,026,737
<b>OTHER FINANCING USES</b>				
Transfers out-				
Interstate Corridor Urban Renewal Fund	(500,000)	(500,000)	-	500,000
Net change in fund balance	(1,268,177)	(1,762,630)	764,107	2,526,737
<b>FUND BALANCE - July 1, 2006</b>	1,268,177	1,762,630	1,762,630	-
<b>FUND BALANCE - June 30, 2007</b>	\$ -	\$ -	2,526,737	\$ 2,526,737
<b>Adjustments to generally accepted accounting principles basis-</b>				
Loans receivable, net			1,545,288	
Interfund advances			(1,125,809)	
Property held for sale			2,369,234	
<b>FUND BALANCE - June 30, 2007 (GAAP BASIS)</b>			\$ 5,315,450	

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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for services:				
Application fees and charges	\$ -	\$ -	\$ 901	\$ 901
Rental income	-	-	2,186	2,186
Loan Collections:				
Principal	-	-	78,315	78,315
Interest	21,980	21,980	55,754	33,774
Interest on investments	50,000	200,000	224,273	24,273
Miscellaneous-				
Reimbursements	-	-	920	920
Sale of real property	770,000	770,000	774,040	4,040
Tax increment debt proceeds (in lieu of tax increment revenue)	18,384,872	18,384,872	10,526,129	(7,858,743)
Total revenues	19,226,852	19,376,852	11,662,518	(7,714,334)
<b>EXPENDITURES</b>				
Current:				
Community development:				
Development	13,796,666	14,343,666	9,866,629	4,477,037
Economic Development	2,856,438	3,211,438	2,496,160	715,278
Housing	5,301,879	4,105,879	1,302,277	2,803,602
Finance	8,757	18,757	12,990	5,767
Total Community development	21,963,740	21,679,740	13,678,056	8,001,684
Contingency	1,524,165	3,390,057	-	3,390,057
Total expenditures	23,487,905	25,069,797	13,678,056	11,391,741
Excess (deficiency) of revenues over expenditures	(4,261,053)	(5,692,945)	(2,015,538)	3,677,407
Net change in fund balance	(4,261,053)	(5,692,945)	(2,015,538)	3,677,407
<b>FUND BALANCE - July 1, 2006</b>	4,261,053	5,692,945	5,692,947	2
<b>FUND BALANCE - June 30, 2007</b>	\$ -	\$ -	3,677,409	\$ 3,677,409
<b>Adjustments to generally accepted accounting principles basis:</b>				
Loans receivable, net			2,422,543	
Property held for sale			2,254,347	
<b>FUND BALANCE - June 30, 2007 (GAAP BASIS)</b>			\$ 8,354,299	

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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for services-				
Application fees and charges	\$ -	\$ -	\$ 262	\$ 262
Loan Collections:				
Principal	-	500,000	499,690	(310)
Interest	15,000	15,000	3,347	(11,653)
Interest on investments	20,000	50,000	103,386	53,386
Miscellaneous:				
Reimbursements	-	-	19	19
Tax increment debt proceeds (in lieu of tax increment revenue)	5,290,722	3,673,789	3,279,104	(394,685)
Total revenues	5,325,722	4,238,789	3,885,808	(352,981)
<b>EXPENDITURES</b>				
Current:				
Community development:				
Development	3,747,457	3,885,506	3,617,444	268,062
Economic Development	909,551	909,551	397,416	512,135
Housing	381,975	381,975	100,285	281,690
Finance	8,757	13,757	11,572	2,185
Total Community development	5,047,740	5,190,789	4,126,717	1,064,072
Contingency	384,657	379,657	-	379,657
Total expenditures	5,432,397	5,570,446	4,126,717	1,443,729
Excess (deficiency) of revenues over expenditures	(106,675)	(1,331,657)	(240,909)	1,090,748
Net change in fund balance	(106,675)	(1,331,657)	(240,909)	1,090,748
<b>FUND BALANCE - July 1, 2006</b>	106,675	1,331,657	1,331,657	-
<b>FUND BALANCE - June 30, 2007</b>	\$ -	\$ -	1,090,748	\$ 1,090,748
<b>Adjustments to generally accepted accounting principles basis-</b>				
Loans receivable, net			12,716	
Property held for sale			1,531,922	
<b>FUND BALANCE - June 30, 2007 (GAAP BASIS)</b>			\$ 2,635,386	

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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for services:				
Application fees and charges	\$ -	\$ -	\$ 86	\$ 86
Rental income	-	-	8,352	8,352
Loan Collections:				
Principal	9,247	9,247	4,176	(5,071)
Interest	9,247	9,247	14,085	4,838
Interest on investments	150,000	150,000	229,901	79,901
Miscellaneous-				
Reimbursements	-	-	7,945	7,945
Sale of real property	-	-	3,015,580	3,015,580
<b>Total revenues</b>	<b>168,494</b>	<b>168,494</b>	<b>3,280,125</b>	<b>3,111,631</b>
<b>EXPENDITURES</b>				
Current:				
Community development:				
Development	1,702,382	1,702,382	1,044,965	657,417
Economic Development	3,417,515	3,417,515	1,615,911	1,801,604
Finance	16,814	16,814	16,174	640
Total Community development	5,136,711	5,136,711	2,677,050	2,459,661
Contingency	714,581	901,874	-	901,874
<b>Total expenditures</b>	<b>5,851,292</b>	<b>6,038,585</b>	<b>2,677,050</b>	<b>3,361,535</b>
Excess (deficiency) of revenues over expenditures	(5,682,798)	(5,870,091)	603,075	6,473,166
Net change in fund balance	(5,682,798)	(5,870,091)	603,075	6,473,166
<b>FUND BALANCE - July 1, 2006</b>	<b>5,682,798</b>	<b>5,870,091</b>	<b>5,870,091</b>	<b>-</b>
<b>FUND BALANCE - June 30, 2007</b>	<b>\$ -</b>	<b>\$ -</b>	<b>6,473,166</b>	<b>\$ 6,473,166</b>
<b>Adjustments to generally accepted accounting principles basis-</b>				
Loans receivable, net			320,276	
Property held for sale			18,952,286	
<b>FUND BALANCE - June 30, 2007 (GAAP BASIS)</b>			<b>\$ 25,745,728</b>	

# PDC

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PORTLAND  
DEVELOPMENT  
COMMISSION

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## 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.

*Private Lender Program-Bank of America  
Housing Investment  
Program Reserve (formerly Portland Homestead Loan Program)  
Housing and Urban Development Rental Rehabilitation  
Neighborhood Housing Loans  
Economic Development Administration Revolving Loans  
Economic Development Administration Industrial Sites Loans  
Urban Development Action Grant Loans  
N/NE Business Assistance  
DHPP Special Projects*

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.

# PDC

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PORTLAND  
DEVELOPMENT  
COMMISSION

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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, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Adjustments	Actual (Budgetary Basis)	Variance with Final Budget
	Original	Final				
<b>REVENUES</b>						
Intergovernmental revenue:						
Housing and Community						
Development contract	\$ -	\$ 1,500,000	\$ -	\$ -	\$ -	\$ (1,500,000)
Housing Investment Fund	-	-	138,814	-	138,814	138,814
Charges for services-						
Application fees and charges	158,834	108,193	135,313	-	135,313	27,120
Loan Collections:						
Principal	6,941,240	7,869,597	-	4,818,979	4,818,979	(3,050,618)
Interest	956,267	935,972	947,765	7,554	955,319	19,347
Interest on investments	18,000	46,000	194,806	(8,931)	185,875	139,875
Miscellaneous:						
Reimbursements	575,000	738,000	-	87,635	87,635	(650,365)
Other	-	-	863,087	(836,287)	26,800	26,800
<b>Total revenues</b>	<b>8,649,341</b>	<b>11,197,762</b>	<b>2,279,785</b>	<b>4,068,950</b>	<b>6,348,735</b>	<b>(4,849,027)</b>
<b>EXPENDITURES</b>						
Current:						
Community Dev: Transfers Out						
Community development:						
Economic Development	808,000	2,297,817	234,374	738,875	973,249	1,324,568
Housing	7,891,168	10,305,446	1,860,376	2,111,321	3,971,697	6,333,749
Finance	5,000	5,000	336	-	336	4,664
Total community development	8,704,168	12,608,263	2,095,086	2,850,196	4,945,282	7,662,981
Debt service:						
Principal	320,985	820,985	-	835,590	835,590	(14,605)
Interest	254,066	254,066	226,959	-	226,959	27,107
Total debt service	575,051	1,075,051	226,959	835,590	1,062,549	12,502
Contingency	1,754,590	2,919,129	-	-	-	2,919,129
<b>Total expenditures</b>	<b>11,033,809</b>	<b>16,602,443</b>	<b>2,322,045</b>	<b>3,685,786</b>	<b>6,007,831</b>	<b>10,594,612</b>
Excess (deficiency) of revenues over expenditures	(2,384,468)	(5,404,681)	(42,261)	383,165	340,904	5,745,584
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in:						
Housing and Community						
Development Contract Fund	300,000	115,000	115,000	-	115,000	-
Other Federal Grants Fund	-	28	28	-	28	-
Enterprise Loans Fund	-	18,699	1,344	-	1,344	(17,355)
<b>Total transfers in</b>	<b>300,000</b>	<b>133,727</b>	<b>116,372</b>	<b>-</b>	<b>116,372</b>	<b>(17,355)</b>
Transfers out:						
Housing and Community						
Development Contract Fund	-	(300,000)	-	(300,000)	(300,000)	-
Housing Acquisitions Fund	-	(4,192)	(4,192)	-	(4,192)	-
Other Federal Grants Fund	-	-	-	(77,498)	(77,498)	(77,498)
Enterprise Loans Fund	-	(1,344)	(1,344)	-	(1,344)	-
<b>Total transfers out</b>	<b>-</b>	<b>(305,536)</b>	<b>(5,536)</b>	<b>(377,498)</b>	<b>(383,034)</b>	<b>(77,498)</b>
<b>Total other financing sources (uses)</b>	<b>300,000</b>	<b>(171,809)</b>	<b>110,836</b>	<b>(377,498)</b>	<b>(266,662)</b>	<b>(94,853)</b>
Net change in fund balance	(2,084,468)	(5,576,490)	68,575	5,667	74,242	5,650,731
<b>FUND EQUITY - July 1, 2006</b>	<b>2,084,468</b>	<b>5,276,490</b>	<b>14,508,370</b>	<b>(9,739,212)</b>	<b>4,769,158</b>	<b>(507,332)</b>
<b>FUND EQUITY - June 30, 2007</b>	<b>\$ -</b>	<b>\$ (300,000)</b>	<b>\$ 14,576,945</b>	<b>\$ (9,733,545)</b>	<b>\$ 4,843,400</b>	<b>\$ 5,143,400</b>



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, 2007

	<u>Private Lender Program Bank of America</u>	<u>Housing Investment</u>	<u>Program Reserve (formerly Portland Homestead Loan Program)</u>
<b>ASSETS</b>			
Current assets:			
Cash with City of Portland investment pool	\$ 155,360	\$ 906,134	\$ 1,999,961
Receivables:			
Due from other funds	377,498	-	-
Loans, net	895,157	494,746	-
Interest	6,467	8,633	14,094
Total current assets	<u>1,434,482</u>	<u>1,409,513</u>	<u>2,014,055</u>
Noncurrent assets:			
Loans receivable, net	<u>5,050,570</u>	<u>5,120,875</u>	<u>-</u>
Total assets	<u>6,485,052</u>	<u>6,530,387</u>	<u>2,014,055</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	-	20,556	-
Accrued interest payable	8,170	-	-
Private Lender Program notes payable	382,198	-	-
Due to other entities	4	10,277	-
Due to other funds	4,596,841	-	-
Total current liabilities	<u>4,987,213</u>	<u>30,833</u>	<u>-</u>
Noncurrent liabilities-			
Private Lender Program notes payable	<u>2,180,807</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>7,168,020</u>	<u>30,833</u>	<u>-</u>
<b>Net Assets-</b>			
Unrestricted (deficit)	<u>(682,968)</u>	<u>6,499,554</u>	<u>2,014,055</u>

<u>Housing and Urban Development Rental Rehabilitation</u>	<u>Neighborhood Housing Loans</u>	<u>Economic Development Administration Revolving Loans</u>	<u>Economic Development Administration Industrial Sites Loans</u>	<u>Urban Development Action Grant Loans</u>
\$ 85,158	\$ -	\$ 335,975	\$ 198,509	\$ 566,697
-	-	-	-	-
21,418	-	63,518	84,848	311,998
826	-	3,238	1,972	5,276
<u>107,402</u>	<u>-</u>	<u>402,731</u>	<u>285,329</u>	<u>883,971</u>
<u>747,349</u>	<u>-</u>	<u>652,098</u>	<u>1,008,925</u>	<u>836,350</u>
<u>854,751</u>	<u>-</u>	<u>1,054,829</u>	<u>1,294,254</u>	<u>1,720,321</u>
-	1,601	-	-	28
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>1,601</u>	<u>-</u>	<u>-</u>	<u>28</u>
-	-	-	-	-
<u>-</u>	<u>1,601</u>	<u>-</u>	<u>-</u>	<u>28</u>
<u>854,751</u>	<u>(1,601)</u>	<u>1,054,829</u>	<u>1,294,254</u>	<u>1,720,293</u>

(continued on next page)

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

**COMBINING SCHEDULE OF NET ASSETS, (continued)  
FOR COMPONENTS OF THE ENTERPRISE LOANS FUND  
June 30, 2007**

	<u>N/NE Business Assistance</u>	<u>DHPP Special Projects</u>	<u>Total Enterprise Loans Fund</u>
<b>ASSETS</b>			
Current assets:			
Cash with City of Portland investment pool	\$ 559,392	\$ 5,283	\$ 4,812,469
Receivables:			
Due from other funds	-	-	377,498
Loans, net	581,619	-	2,453,304
Interest	5,619	42	46,168
Total current assets	<u>1,146,630</u>	<u>5,325</u>	<u>7,689,439</u>
Noncurrent assets:			
Loans receivable, net	<u>400,327</u>	<u>273,245</u>	<u>14,089,738</u>
Total assets	<u>1,546,958</u>	<u>278,570</u>	<u>21,779,177</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	1,750	-	23,935
Accrued interest payable	-	-	8,170
Private Lender Program notes payable	-	-	382,198
Due to other entities	-	-	10,281
Due to other funds	-	-	4,596,841
Total current liabilities	<u>1,750</u>	<u>-</u>	<u>5,021,425</u>
Noncurrent liabilities-			
Private Lender Program notes payable	<u>-</u>	<u>-</u>	<u>2,180,807</u>
<b>Total liabilities</b>	<u>1,750</u>	<u>-</u>	<u>7,202,232</u>
<b>Net Assets-</b>			
Unrestricted (deficit)	<u>1,545,208</u>	<u>278,570</u>	<u>14,576,945</u>

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PORTLAND  
DEVELOPMENT  
COMMISSION

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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, 2007

	Private Lender Program Bank of America	Housing Investment	Program Reserve (formerly Portland Homestead Loan Program)
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 1,326	\$ 103,114	\$ -
Interest on loans	322,855	330,645	-
Miscellaneous revenues	463,259	238,180	-
Intergovernmental revenues	-	138,814	-
Total operating revenues	<u>787,440</u>	<u>810,753</u>	<u>-</u>
<b>OPERATING EXPENSES:</b>			
Personal services	-	202,297	-
Professional services	-	519,272	-
Loan document costs	336	438,233	-
Financial assistance	-	166,867	-
Loan loss provision	-	6,633	-
Internal service reimbursements	-	119,823	-
Total operating expenses	<u>336</u>	<u>1,453,125</u>	<u>-</u>
Operating income (loss)	<u>787,104</u>	<u>(642,372)</u>	<u>-</u>
<b>NON-OPERATING REVENUES (EXPENSE):</b>			
Interest on investment	32,582	31,584	58,981
Interest expense	(226,959)	-	-
Total non-operating revenues (expense)	<u>(194,377)</u>	<u>31,584</u>	<u>58,981</u>
Income (loss) before transfers	<u>592,727</u>	<u>(610,788)</u>	<u>58,981</u>
Transfers in	-	1,344	115,028
Transfers out	-	-	-
Change in net assets	592,727	(609,444)	174,009
<b>NET ASSETS (DEFICIT) - July 1, 2006</b>	<u>(1,275,694)</u>	<u>7,108,998</u>	<u>1,840,046</u>
<b>NET ASSETS (DEFICIT) - June 30, 2007</b>	<u>\$ (682,967)</u>	<u>\$ 6,499,554</u>	<u>\$ 2,014,055</u>

Housing and Urban Development Rental Rehabilitation	Neighborhood Housing Loans	Economic Development Administration Revolving Loans	Economic Development Administration Industrial Sites Loans	Urban Development Action Grant Loans
\$ -	\$ 26,878	\$ 796	\$ 911	\$ 1,949
18,332	9,609	48,808	60,776	59,715
-	-	38,822	2,356	2,426
-	-	-	-	-
<u>18,332</u>	<u>36,487</u>	<u>88,426</u>	<u>64,043</u>	<u>64,090</u>
-	34,333	1,041	1,478	20,361
-	-	-	-	-
-	23,637	-	-	4,239
-	-	-	-	14,958
87,779	-	24,538	478	184,770
-	-	27,165	34,774	60,194
<u>87,779</u>	<u>57,970</u>	<u>52,744</u>	<u>36,730</u>	<u>284,522</u>
<u>(69,447)</u>	<u>(21,483)</u>	<u>35,682</u>	<u>27,313</u>	<u>(220,432)</u>
3,260	-	15,091	13,443	27,382
-	-	-	-	-
<u>3,260</u>	<u>-</u>	<u>15,091</u>	<u>13,443</u>	<u>27,382</u>
<u>(66,187)</u>	<u>(21,483)</u>	<u>50,773</u>	<u>40,756</u>	<u>(193,050)</u>
-	-	-	-	-
-	-	-	-	-
<u>(66,187)</u>	<u>(21,483)</u>	<u>50,773</u>	<u>40,756</u>	<u>(193,050)</u>
<u>920,938</u>	<u>19,882</u>	<u>1,004,056</u>	<u>1,253,498</u>	<u>1,913,343</u>
<u>\$ 854,751</u>	<u>\$ (1,601)</u>	<u>\$ 1,054,829</u>	<u>\$ 1,294,254</u>	<u>\$ 1,720,293</u>

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

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS, (continued)  
FOR COMPONENTS OF THE ENTERPRISE LOANS FUND  
For the Fiscal Year Ended June 30, 2007

	N/NE Business Assistance	DHPP Special Projects	Total Enterprise Loans Fund
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 339	\$ -	\$ 135,313
Interest on loans	91,918	5,107	947,765
Miscellaneous revenues	118,044	-	863,087
Intergovernmental revenues	-	-	138,814
	<u>210,301</u>	<u>5,107</u>	<u>2,084,979</u>
<b>OPERATING EXPENSES:</b>			
Personal services	341	-	259,851
Professional services	-	-	519,272
Loan document costs	1,750	-	468,195
Financial assistance	-	-	181,825
Loan loss provision	-	102,269	406,467
Internal service charges	17,519	-	259,475
	<u>19,610</u>	<u>102,269</u>	<u>2,095,085</u>
Total operating expenses	<u>19,610</u>	<u>102,269</u>	<u>2,095,085</u>
Operating income (loss)	<u>190,691</u>	<u>(97,162)</u>	<u>(10,106)</u>
<b>NON-OPERATING REVENUES (EXPENSE):</b>			
Interest on investments	12,264	218	194,805
Interest expense	-	-	(226,959)
	<u>12,264</u>	<u>218</u>	<u>(32,154)</u>
Total non-operating revenues (expense)	<u>12,264</u>	<u>218</u>	<u>(32,154)</u>
Income (loss) before transfers	<u>202,955</u>	<u>(96,944)</u>	<u>(42,260)</u>
Transfers in	-	-	116,372
Transfers out	-	(5,536)	(5,536)
	<u>202,955</u>	<u>(102,480)</u>	<u>68,576</u>
Change in net assets	<u>202,955</u>	<u>(102,480)</u>	<u>68,576</u>
<b>NET ASSETS (DEFICIT) - July 1, 2006</b>	<u>1,342,252</u>	<u>381,050</u>	<u>14,508,369</u>
<b>NET ASSETS (DEFICIT) - June 30, 2007</b>	<u>\$ 1,545,207</u>	<u>\$ 278,570</u>	<u>\$ 14,576,945</u>

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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, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Adjustments	Actual (Budgetary Basis)	Variance with Final Budget-
	Original	Final				
<b>REVENUES</b>						
Charges for services-						
Rental income	\$ -	\$ 432,502	\$ 91,405	\$ -	\$ 91,405	\$ (341,097)
Interest on investments	-	-	617	-	617	617
Total revenues	-	432,502	92,022	-	92,022	(340,480)
<b>EXPENDITURES</b>						
Total expenditures	-	-	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	432,502	92,022	-	92,022	(340,480)
Net change in fund balance	-	432,502	92,022	-	92,022	(340,480)
<b>FUND EQUITY - July 1, 2006</b>	-	-	-	-	-	-
<b>FUND EQUITY - June 30, 2007</b>	\$ -	\$ 432,502	\$ 92,022	\$ -	\$ 92,022	\$ (340,480)



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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Interest on investments	\$ -	\$ 10,000	\$ 23,497	\$ 13,497
<b>EXPENDITURES</b>				
Current-				
Community development-				
Finance	-	110,000	101,317	8,683
Contingency	484,145	373,929	-	373,929
Total expenditures	484,145	483,929	101,317	382,612
Excess (deficiency) of revenues over expenditures	(484,145)	(473,929)	(77,820)	396,109
Net change in fund balance	(484,145)	(473,929)	(77,820)	396,109
<b>FUND BALANCE - July 1, 2006</b>	484,145	473,929	473,929	-
<b>FUND BALANCE - June 30, 2007</b>	\$ -	\$ -	\$ 396,109	\$ 396,109

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, 2007

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2007</u>
Assets:				
Cash with City of Portland investment pool	\$ 82,373	\$ 784,598	\$ 804,257	\$ 62,714
Interest receivable	<u>469</u>	<u>42,294</u>	<u>42,170</u>	<u>593</u>
Total assets	<u>\$ 82,842</u>	<u>\$ 826,892</u>	<u>\$ 846,427</u>	<u>\$ 63,307</u>
Liabilities -				
Accounts payable	<u>\$ 82,842</u>	<u>\$ 174,691</u>	<u>\$ 194,226</u>	<u>\$ 63,307</u>

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PORTLAND  
DEVELOPMENT  
COMMISSION

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

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**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, 2007**

Governmental funds capital assets:	
Land	\$ 8,434,625
Buildings and improvements	2,707,441
Leasehold improvements	3,505,335
Furniture, vehicles and equipment	1,806,358
Accumulated depreciation	<u>(3,738,117)</u>
Total governmental funds capital assets	\$ <u>12,715,642</u>
Investment in governmental funds capital assets by source:	
General Fund	\$ 1,812,873
Special Revenue Funds	384,233
Capital Projects Funds	14,256,653
Accumulated depreciation	<u>(3,738,117)</u>
Total governmental funds capital assets	\$ <u>12,715,642</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, 2007**

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Leasehold Improvements</u>	<u>Furniture, Vehicles and Equipment</u>	<u>Total</u>
<b>Community development</b>					
Development	\$ 8,434,625	\$ 2,707,441	\$ -	\$ -	\$ 11,142,066
Operations	-	-	3,505,335	1,806,358	5,311,693
Total Community development	8,434,625	2,707,441	3,505,335	1,806,358	16,453,759
Less: Accumulated depreciation	-	(1,028,826)	(1,164,587)	(1,544,704)	(3,738,117)
<b>Total governmental funds capital assets</b>	<b>\$ 8,434,625</b>	<b>\$ 1,678,615</b>	<b>\$ 2,340,748</b>	<b>\$ 261,654</b>	<b>\$ 12,715,642</b>

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 OF CHANGES BY FUNCTION AND ACTIVITY  
For the Fiscal Year Ended June 30, 2007

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Governmental Funds Capital Assets June 30, 2007</u>
<b>Community development:</b>				
Development	\$ 11,142,057	\$ 29,495	\$ (624)	\$ 11,170,928
Operations	<u>5,096,657</u>	<u>186,174</u>	<u>-</u>	<u>5,282,831</u>
Total Community development	16,238,714	215,669	(624)	16,453,759
Less: Accumulated depreciation	<u>(3,050,061)</u>	<u>(688,056)</u>	<u>-</u>	<u>(3,738,117)</u>
<b>Total governmental funds capital assets</b>	<b>\$ <u>13,188,653</u></b>	<b>\$ <u>(472,387)</u></b>	<b>\$ <u>(624)</u></b>	<b>\$ <u>12,715,642</u></b>

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 PROPERTY  
HELD BY THE COMMISSION  
For The Fiscal Year Ended June 30, 2007

Funding Source	Balance July 1, 2006	Additions	Sales/ Adjustment	Balance June 30, 2007
<b>General Fund (Urban Redevelopment Fund):</b>				
* 9330 SE Harold St-Boys & Girls Club-LTC	46,754	-	-	46,754
* 8919 SE Foster Rd-Donisanu Site-LTC	550,000	-	(550,000)	-
* Woodstock & Foster Rd-Dagel Site-LTC	100,000	-	-	100,000
* O'Neill Sites-LTC	211,686	-	(211,686)	-
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
Waterfront Park	-	7	-	7
<b>Total</b>	<b>914,946</b>	<b>9</b>	<b>(761,686)</b>	<b>153,269</b>
<b>Housing and Community Development Fund:</b>				
2600 N Williams Ave-Quad Site	182,833	-	-	182,833
2650 NW Upshur St-Upshur House	201,400	-	-	201,400
* 8799 N Lombard St-St Johns Site	36,870	-	(36,870)	-
* 5815 SE 92nd-Lents Plaza Mcgalliard Site	251,456	-	-	251,456
<b>Total</b>	<b>672,559</b>	<b>-</b>	<b>(36,870)</b>	<b>635,689</b>
<b>Downtown Waterfront Urban Renewal Fund:</b>				
* 421-438 NW 3rd Ave-Dirty Duck Site	500,225	-	-	500,225
Union Station Parcels	10,744,908	-	-	10,744,908
* 820-838 SW 3rd Ave-Cossette Site	1,750,000	11,213	-	1,761,213
* Broadway Hoyt/Glisan/6th-Block R	65,427	2,356	(6,000)	61,783
* NW Naito Parkway	3,000	-	-	3,000
* 800 NW 6th Ave Parking Site-Block Y	487,039	-	-	487,039
* Broadway/Hoyt/Irving/6th -Block U	28,520	-	(2,200)	26,320
* 209 SW Oak St-Abandoned Jail	1,663,522	66,657	-	1,730,179
* 60 & 88 NW Couch St-Block 8	-	-	-	-
* 88 NW Couch St-Block 8	2,197,436	5,981	-	2,203,417
* NW Davis BLK 8	-	4,351,568	-	4,351,568
<b>Total</b>	<b>17,440,077</b>	<b>4,437,775</b>	<b>(8,200)</b>	<b>21,869,652</b>
<b>North Macadam Urban Renewal Fund:</b>				
* 3508 SW Moody-Public Storage	8,028,993	56,774	(161,803)	7,923,964
* South Waterfront Development Sites	2,530,915	1,156,684	-	3,687,599
* 3516-3604 SW Macadam-AirRights Block 33	-	3,000,850	(529,562)	2,471,288
** 3516-3604 SW Macadam-Parking Garage Block 33	-	3,000,000	-	3,000,000
* Old Spaghetti Factory-Blk 49	-	5,027,947	(2,521)	5,025,426
<b>Total</b>	<b>10,559,908</b>	<b>12,242,255</b>	<b>(693,886)</b>	<b>22,108,277</b>
<b>River District Urban Renewal Fund:</b>				
* 1362 NW Naito Prkwy-Centennial Mill	7,659,582	30,231	-	7,689,813
* NW Naito Parkway	172,189	-	-	172,189
* Station Place Garage	9,245,421	4,081	-	9,249,502
* 9th & Lovejoy-Station Place	1,050,000	6,479	(6,000)	1,050,479
<b>Total</b>	<b>18,127,192</b>	<b>40,791</b>	<b>(6,000)</b>	<b>18,161,983</b>
<b>Airport Way Urban Renewal Fund:</b>				
* Holman St Site	5,000	-	-	5,000
* NE 185th Riverside Parkway-Spada	6,910,108	27,340	(2,768,771)	4,168,677
* Cascade Station-Lease Rights	-	14,550,302	(186,542)	14,363,760
* 12824 NE Airport Way-Danner South	192,850	-	-	192,850
* 12810 NE Airport Way-Danner North	81,500	-	-	81,500
* 13328 NE Airport Way-Damonte	140,500	-	-	140,500
<b>Total</b>	<b>7,329,958</b>	<b>14,577,642</b>	<b>(2,955,313)</b>	<b>18,952,287</b>
<b>South Park Blocks Urban Renewal Fund:</b>				
* 1101-1139 SW Jefferson St-Jefferson West Apts	2,600,000	21,625	-	2,621,625
* 1103-1121 SW Stark St-Fairfield Hotel	1,475,000	-	-	1,475,000
* 5th & SW Montgomery St-PSU Carpool Lot	2,700,000	-	-	2,700,000
* 1800 SW 6th Ave-PCAT Lot	2,300,000	-	-	2,300,000
* 401 SW Harrison St-Jasmine Tree	943,611	350,389	(230,912)	1,063,088
<b>Total</b>	<b>10,018,611</b>	<b>372,014</b>	<b>(230,912)</b>	<b>10,159,713</b>

Continued on next page



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

SCHEDULE OF ACTIVITY OF PROPERTY  
HELD BY THE COMMISSION, Continued  
For The Fiscal Year Ended June 30, 2007

Funding Source	Balance July 1, 2006	Additions	Sales/ Adjustment	Balance June 30, 2007
<b>Convention Center Urban Renewal Fund:</b>				
* 5001 NE MLK Blvd-Living Color Site	632,698	-	-	632,698
* 831-834 NE MLK Blvd-Sizzler Site	2,586,941	-	-	2,586,941
* 3510 NE MLK Blvd-King's Crossing	208,913	-	(208,913)	-
* 5225 NE MLK Blvd-Marco Machine Works Site	2,570,219	17,015	(2,587,234)	-
* 5125-5131 NE MLK Blvd-Wirf Sites	852,814	10,843	-	863,657
* 3739 NE MLK Blvd & 3 Lots-Robinson Site	374,892	-	-	374,892
* 1st/Multnomah /2nd/Holladay Sts-Block 49	1,569,115	-	-	1,569,115
* NE Hol/MLK Blvd-Christie-Block 47	455,843	-	-	455,843
* 5029 NW MLK Blvd-Walnut Park Theater	362,582	-	-	362,582
* 3701 NE MLK Blvd-Banks Site	141,030	-	-	141,030
* 6431-6435 NE MLK Blvd-Eagle Summit Site	550,430	77,378	-	627,808
* 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
* 5252 NE Garfield St-Mult Cnty Parking Lot	210,450	-	(210,450)	-
* 910 NE MLK-Menashe Site	4,547,284	-	-	4,547,284
* 427 NE Cook-McCann Site	290,000	55,203	(55,203)	290,000
* NE Cook/MLK-Lenske Site	168,855	4,103	-	172,958
<b>Total</b>	<b>24,162,628</b>	<b>164,542</b>	<b>(3,061,800)</b>	<b>21,265,370</b>
<b>Central Eastside Urban Renewal Fund:</b>				
* 318 NE Couch St-Fischels Site	524,592	401	-	524,993
* 313 E Burnside St-Recovery Inn-Block 76	550,410	9,296	-	559,706
* 1401 SE Water Ave-OMSI Crescent Site	450,000	-	-	450,000
* 240 NE MLK Blvd	150,023	2,374	-	152,397
* 5-13 NE 3rd Ave-Block 67	314,503	719	-	315,222
* 11 NE MLK Blvd-Unocal Site	561,142	558	-	561,700
* 111 NE MLK Blvd-Block 75	1,263,936	7,892	-	1,271,828
* 123 NE 3rd Ave-Convention Center Plaza	8,950,565	60,550	-	9,011,115
<b>Total</b>	<b>12,765,171</b>	<b>81,789</b>	<b>-</b>	<b>12,846,960</b>
<b>Lents Town Center Urban Renewal Fund:</b>				
* 5728 SE 91St & 5808 SE 91St -Rssn Ch & Hse	600,669	182,308	(95,580)	687,398
* 9117-9123 SE Foster Rd	116,300	-	-	116,300
* 8919 SE Foster Rd-Donisanu Lots	337,538	7,702	(345,240)	-
* 9330 SE Harold St-Boys and Girls Club	1,054,675	-	-	1,054,675
* 8834 SE Reedway St-Owens	171,620	-	(171,620)	-
* 9316 SE Woodstock Blvd-Glendville	123,278	-	-	123,278
* O'Neill Sites-LTC	81,732	2,530	(84,261)	-
* 6116 SE 93rd-Davis Property	103,975	-	-	103,975
* 122nd & Pardee	168,721	-	-	168,721
<b>Total</b>	<b>2,758,508</b>	<b>192,540</b>	<b>(696,701)</b>	<b>2,254,347</b>
<b>Interstate Corridor Urban Renewal Fund:</b>				
* Marco Bldg	-	500,000	-	500,000
4500 N Albina	6,410	624	(624)	6,410
* 5136 NE Garfield St-Hayne Site	314,747	-	-	314,747
* 5234 NE Garfield St-Hutchinson Site	155,000	-	(155,000)	-
* 5246 NE Garfield St-West Site	155,000	-	(155,000)	-
* 5116 NE Garfield St-Reiss Site	304,110	-	-	304,110
* Killingsworth Station	1,250,377	-	-	1,250,377
<b>Total</b>	<b>2,185,644</b>	<b>500,624</b>	<b>(310,624)</b>	<b>2,375,644</b>
<b>Gateway Regional Center Urban Renewal Fund:</b>				
* 10225 NE Burnside St-Childrens Receiving Ctr	683,828	-	-	683,828
* 9707 NE Multnomah Blvd-Gateway Transit Ctr	848,094	-	-	848,094
<b>Total</b>	<b>1,531,922</b>	<b>-</b>	<b>-</b>	<b>1,531,922</b>
<b>Total all funds</b>	<b>108,467,124</b>	<b>\$ 32,609,982</b>	<b>\$ (8,761,992)</b>	<b>132,315,113</b>
<b>Add:</b>				
Furniture and equipment	1,620,185			1,806,358
Leasehold improvements	3,476,472			3,505,335
<b>Less:</b>				
Property held for sale	(97,325,067)			(121,173,047)
Accumulated depreciation-NHFS	(3,050,061)			(3,738,117)
<b>Total Capital Assets</b>	<b>\$ 13,188,653</b>			<b>12,715,642</b>

\* Represents property held for sale.

\*\* Work in process

# Statistical Section\_\_\_\_\_

# PDC

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PORTLAND  
DEVELOPMENT  
COMMISSION

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# STATISTICAL SECTION

This part of the 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.

<b>Contents</b>	<b>Page</b>
<b>Financial Trends</b>	<b>105</b>
<i>These schedules contain trend information to help the reader understand how PDC's financial performance and well-being have changed over time.</i>	
<b>Revenue Capacity</b>	<b>109</b>
<i>These schedules contain information to help the reader assess PDC's most significant local revenue source, the property tax.</i>	
<b>Debt Capacity</b>	<b>113</b>
<i>These schedules present information to help the reader assess the affordability of PDC's current levels of outstanding debt and their ability to issue additional debt in the future.</i>	
<b>Demographic and Economic Information</b>	<b>115</b>
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which PDC's financial activities take place.</i>	
<b>Operating Information</b>	<b>127</b>
<i>These schedules contain service data to help the reader understand how the information in PDC's financial report relates to the services PDC 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.

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

NET ASSETS BY COMPONENT  
Last Six Fiscal Years  
(Unaudited)

	Fiscal Year					
	<u>2001-02</u> (as restated)	<u>2002-03</u> (as restated)	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
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
Restricted	198,391,518	223,589,051	207,792,342	177,136,865	197,188,290	214,919,258
Unrestricted	<u>5,070,488</u>	<u>3,385,457</u>	<u>2,966,770</u>	<u>3,314,382</u>	<u>3,389,413</u>	<u>2,660,789</u>
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>
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>14,668,967</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
Restricted	198,391,518	223,589,051	207,792,342	177,136,865	197,188,290	214,919,258
Unrestricted	<u>27,703,470</u>	<u>17,331,827</u>	<u>17,458,959</u>	<u>15,866,160</u>	<u>17,897,782</u>	<u>17,329,756</u>
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>\$ 244,964,656</u>

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

CHANGES IN NET ASSETS  
Last Six Fiscal Years  
(Unaudited)

	Fiscal Year					
	2001-02 (as restated)	2002-03 (as restated)	2003-04	2004-05	2005-06	2006-07
<b>Expenses</b>						
Governmental activities:						
Community development	\$ 63,742,991	\$ 58,007,849	\$ 75,311,799	\$ 99,462,500	\$ 100,446,658	\$ 116,101,082
Business-type activities:						
Enterprise loans	12,038,900	10,510,950	866,407	5,010,245	1,239,307	2,322,045
Total expenses	<u>75,781,891</u>	<u>68,518,799</u>	<u>76,178,206</u>	<u>104,472,745</u>	<u>101,685,965</u>	<u>118,423,127</u>
<b>Program Revenues</b>						
Governmental activities:						
Charges for services	7,157,130	6,312,913	5,101,044	6,957,708	9,142,846	5,692,711
Operating grants and contributions	8,208,877	4,698,443	9,935,888	14,481,639	16,386,221	8,669,663
Total governmental activities program revenues	<u>15,366,007</u>	<u>11,011,356</u>	<u>15,036,932</u>	<u>21,439,347</u>	<u>25,529,067</u>	<u>14,362,374</u>
Business-type activities:						
Charges for services	2,851,313	2,101,629	1,350,925	2,999,021	2,676,027	2,037,570
Operating grants and contributions	4,907,367	-	-	-	-	138,814
Total business-type activities program revenues	<u>7,758,680</u>	<u>2,101,629</u>	<u>1,350,925</u>	<u>2,999,021</u>	<u>2,676,027</u>	<u>2,176,384</u>
Total revenues	<u>23,124,687</u>	<u>13,112,985</u>	<u>16,387,857</u>	<u>24,438,368</u>	<u>28,205,094</u>	<u>16,538,758</u>
Net (expense)/revenue:						
Governmental activities	(48,376,984)	(46,996,493)	(60,274,867)	(78,023,153)	(74,917,591)	(101,738,708)
Business-type activities	(4,280,220)	(8,409,321)	484,518	(2,011,224)	1,436,720	(145,661)
Total net expenses	<u>(52,657,204)</u>	<u>(55,405,814)</u>	<u>(59,790,349)</u>	<u>(80,034,377)</u>	<u>(73,480,871)</u>	<u>(101,884,369)</u>
<b>General Revenues and Other Changes in Net Assets</b>						
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)
Unrestricted investment income	4,935,427	2,441,664	1,473,943	2,009,751	2,890,426	3,491,587
Miscellaneous	3,186,101	2,941,489	6,768,486	2,707,265	8,911,725	8,458,224
Special Item - Cascade Station lease rights	-	-	-	-	-	14,550,302
Transfers	536,035	433,570	13,463	8,951	(407,612)	(110,836)
Total governmental activities	<u>44,003,845</u>	<u>70,207,626</u>	<u>45,162,648</u>	<u>48,397,650</u>	<u>94,368,627</u>	<u>118,268,041</u>
Business-type activities:						
Unrestricted investment income	395,169	156,279	74,764	79,764	112,259	195,423
Transfers	(536,035)	(433,570)	(13,463)	(8,951)	407,612	110,836
Total business-type activities	<u>(140,866)</u>	<u>(277,291)</u>	<u>61,301</u>	<u>70,813</u>	<u>519,871</u>	<u>306,259</u>
Total	<u>43,862,979</u>	<u>69,930,335</u>	<u>45,223,949</u>	<u>48,468,463</u>	<u>94,888,498</u>	<u>118,574,300</u>
<b>Changes in Net Assets</b>						
Governmental activities	(4,373,139)	23,211,133	(15,112,219)	(29,625,503)	19,451,036	16,529,333
Business-type activities	(4,421,086)	(8,686,612)	545,819	(1,940,411)	1,956,591	160,598
Total	<u>\$ (8,794,225)</u>	<u>\$ 14,524,521</u>	<u>\$ (14,566,400)</u>	<u>\$ (31,565,914)</u>	<u>\$ 21,407,627</u>	<u>\$ 16,689,931</u>

Note 1: Increase is due to bonds issued for River District urban renewal area.

Note 2: Increase is due to 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 Six Fiscal Years  
 (Unaudited)

	Fiscal Year					
	<u>2001-02</u> (as restated)	<u>2002-03</u> (as restated)	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
General Fund						
Reserved	\$ 3,064,071	\$ 3,129,527	\$ 2,707,267	\$ 2,452,654	\$ 1,444,428	\$ 476,064
Unreserved	<u>1,755,571</u>	<u>-</u>	<u>-</u>	<u>701,254</u>	<u>1,471,055</u>	<u>1,788,615</u>
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>
All other governmental funds						
Reserved	\$ 99,129,827	\$ 129,823,503	\$ 125,008,341	\$ 113,678,934	\$ 127,770,229	\$ 165,555,407
Unreserved, reported in:						
Special revenue funds	1,349,852	1,360,203	935,674	1,048,085	734,202	928,313
Capital project funds	<u>97,911,839</u>	<u>92,405,345</u>	<u>82,491,391</u>	<u>62,649,846</u>	<u>68,683,859</u>	<u>48,435,539</u>
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>

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

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

	Fiscal Year					
	2001-02 (as restated)	2002-03 (as restated)	2003-04	2004-05	2005-06	2006-07
<b>Revenues</b>						
Intergovernmental revenues	\$ 8,208,877	\$ 4,698,443	\$ 9,935,888	\$ 14,481,639	\$ 16,386,221	\$ 8,669,663
Charges for services	1,236,893	1,770,616	1,517,374	3,064,571	3,304,810	2,153,263
Loan collections	4,827,194	4,542,297	4,226,734	3,893,137	5,838,036	3,539,448
Interest on investments	4,934,581	2,436,580	1,470,370	2,004,595	2,881,904	3,468,091
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
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)
Total revenues	<u>58,832,971</u>	<u>80,780,328</u>	<u>60,825,608</u>	<u>69,822,890</u>	<u>120,296,784</u>	<u>118,167,453</u>
<b>Expenditures</b>						
Community development	22,428,569	24,143,208	26,242,691	32,096,129	29,618,462	63,600,425
Capital outlay	14,503,201	15,288,758	13,492,269	30,724,590	42,727,841	17,090,870
Financial assistance	26,805,541	18,274,514	36,677,660	37,608,692	27,663,186	34,835,459
Debt service - Interest	211,463	-	2,356	14,330	-	-
Total expenditures	<u>63,948,774</u>	<u>57,706,480</u>	<u>76,414,976</u>	<u>100,443,741</u>	<u>100,009,489</u>	<u>115,526,754</u>
Excess of revenues over (under) expenditures	<u>(5,115,803)</u>	<u>23,073,848</u>	<u>(15,589,368)</u>	<u>(30,620,851)</u>	<u>20,287,295</u>	<u>2,640,699</u>
<b>Other financing sources (uses)</b>						
Transfers in	1,655,541	727,944	491,511	804,960	3,971,121	1,937,319
Transfers out	<u>(1,369,506)</u>	<u>(294,374)</u>	<u>(478,048)</u>	<u>(796,009)</u>	<u>(4,685,416)</u>	<u>(2,048,155)</u>
Total other financing sources (uses)	286,035	433,570	13,463	8,951	(714,295)	(110,836)
Special Item - Cascade Station lease rights	-	-	-	-	-	14,550,302
Net change in fund balances	<u>\$ (4,829,768)</u>	<u>\$ 23,507,418</u>	<u>\$ (15,575,905)</u>	<u>\$ (30,611,900)</u>	<u>\$ 19,573,000</u>	<u>\$ 17,080,165</u>

Note 1: Increase is due to bonds issued for River District urban renewal area.

Note 2: Increase is due to Line of Credit reimbursements received for Capital Outlay.



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 (Note 1)	Investment Income	Miscellaneous	Service Reimbursements	Tax Increment Debt Proceeds (in lieu of tax increment revenue) (Note 2)	Total
1997-98	\$ 15,332,584	\$ 4,769,440	\$ 12,629,021	\$ 2,042,838	\$ 5,332,377	-	\$ 26,043,461	\$ 66,149,721
1998-99	20,180,821	2,643,843	12,461,267	1,728,704	6,287,456	-	70,641,224	113,943,315 (Note 3)
1999-00	18,992,769	1,771,973	12,613,004	2,481,908	8,400,151	-	69,560,659	113,820,464
2000-01	19,240,258	1,298,583	13,862,275	7,697,840	8,345,574	-	151,330,444	201,774,974 (Note 4)
2001-02	13,116,244	2,196,655	15,662,655	5,313,639	6,649,451	-	35,346,282	78,284,926 (Note 5)
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 (Note 6)
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 (Note 7)
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 (Note 8)
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 (Note 9)
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

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

Note 1: Interest earned on loans is included in Loan Collections.

Note 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).

Note 3: The increase in fiscal year 1998-99 is due to the addition of two Urban Renewal Funds- River District and Lents Town Center, and two large projects in the Airport Way Urban Renewal District which total over \$28 million for the Airport Light Rail Project and the Portland International Center.

Note 4: During fiscal year 2000-01, bonds were issued for three urban renewal funds, Convention Center, South Park Blocks and the Waterfront Urban Renewal.

Note 5: The large decrease in tax increment revenues is due to the Shilo Inn decision.

Note 6: 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.

Note 7: 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.

Note 8: 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.

Note 9: Increase in Tax Increment Debt Proceeds is due to Line of Credit reimbursements for Capital Outlay.

**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>
1997-98	\$ 6,133,894	\$ 5,958,290	\$ 13,579,604	\$ 17,202,498	\$ 2,205,993	\$ 45,080,279
1998-99	6,868,474	7,712,132	54,969,187 (1)	36,843,155 (2)	2,652,455	109,045,403
1999-00	7,639,298	12,084,027	45,407,103	35,051,017	3,222,059	103,403,504
2000-01	9,481,010	12,326,023	50,703,788	26,627,024	2,920,990	102,058,835
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 (3)	26,293,552	27,808,001	2,867,083	92,072,999
2003-04	15,089,965	25,926,709	37,335,990 (4)	43,957,311 (4)	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 (5)	51,208,537	1,522,868	164,425,834
2006-07	\$ 24,601,713	\$ 63,212,456 (6)	\$ 26,616,600	\$ 57,005,317	\$ 1,062,549	\$ 172,498,635

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

Note 1: Increase due to the addition of \$12.3 million in property held for sale, increased activity on the Eastbank Park project, and over \$28 million dollars for the Airport Light Rail Project and the Portland International Center.

Note 2: Increase due to more tax increment dollars for housing projects. Some of the largest projects are the Union Station Housing Project (\$5.4 million), Hamilton II Replacement Housing (\$6.2 million) and carry-over of prior year's unspent housing dollars for financial assistance.

Note 3: 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.

Note 4: Increase due to the acquisition of \$16.6 million in property held for sale in the River District Urban Renewal Area.

Note 5: 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.

Note 6: Increase is due to added infrastructure and transportation for the Light Rail Expansion, Portland Ariel Tram, and the Portland Streetcar.

**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 Svc.Dist.	Multnomah Co. ESD	City of Portland Urban Renewal	Subtotal
1997-98	\$4.8400	\$6.7000	\$0.0700	\$0.3900	\$0.4500	\$20.0100	\$32.4600
1998-99	5.2300	6.7000	0.0800	0.3600	0.4500	1.1900	14.0100
1999-00	5.2535	6.6979	0.0754	0.3284	0.4576	1.1482	13.9610
2000-01	5.3050	6.8957	0.0737	0.3401	0.4576	0.3769	13.4490
2001-02	5.2110	6.7161	0.0707	0.3239	0.4576	0.3842	13.1635
2002-03	5.1742	6.9663	0.0701	0.2835	0.4576	0.4151	13.3668
2003-04	5.2719	8.1893	0.0701	0.2900	0.4576	0.4039	14.6828
2004-05	5.2785	7.9791	0.0701	0.2838	0.4576	0.3897	14.4588
2005-06	5.3065	7.9181	0.0701	0.2841	0.4576	0.3754	14.4118
2006-07	5.2949	7.8128	0.0701	0.2782	0.4576	0.3588	14.2724

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 property taxes are recorded in the debt service funds of the City of Portland and are disclosed in the City's annual financial report.

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

Portland School District			Parkrose School District			Reynolds School District		
SD #1 Portland	Portland Community College	Total	SD #3 Parkrose	Mt. Hood Community College	Total	SD #7 Reynolds	Mt. Hood Community College	Total
\$6.5100	\$0.3600	\$39.3300	\$6.5600	\$0.5700	\$39.5900	\$5.8200	\$0.5700	\$38.8500
6.1700	0.3500	20.5300	6.3500	0.5500	20.9100	5.4300	0.5500	19.9900
6.3535	0.3601	20.6746	6.3629	0.5207	20.8446	5.3411	0.5207	19.8228
6.9959	0.3717	20.8166	6.2787	0.5173	20.2450	5.2896	0.5173	19.2559
6.9747	0.5511	20.6893	6.5084	0.5144	20.1863	6.3151	0.5144	19.9930
7.2206	0.4944	21.0818	6.5859	0.5164	20.4691	6.0246	0.5164	19.9078
7.1160	0.5118	22.3106	6.9056	0.5137	22.1021	6.0259	0.5137	21.2224
7.1792	0.5099	22.1479	6.6952	0.4981	21.6521	6.0431	0.4981	21.0000
4.7743	0.4950	19.6811	6.3294	0.4917	21.2329	6.0151	0.4917	20.9186
5.2781	0.4889	20.0394	6.2635	0.4917	21.0276	5.9497	0.4917	20.7138

**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, 2007  
(Unaudited)**

Fiscal Year	Airport Way Urban Renewal Bonds	Convention Center Urban Renewal Bonds	South ParkBlocks Urban Renewal Bonds	Downtown Waterfront Urban Renewal Bonds	River District Urban Renewal Bonds	Interstate Corridor Urban Renewal Bonds
	Series A & B	Series A & B	Series A & B	Series A & B	Series A & B	Series A
2007-08	\$ 2,720,000	\$ -	\$ 1,710,000	\$ 5,285,000	\$ 2,435,000	\$ 1,135,000
2008-09	2,830,000	2,775,000	1,825,000	1,635,000	2,495,000	1,165,000
2009-10	4,300,000	2,980,000	1,955,000	2,995,000	2,570,000	1,200,000
2010-11	3,320,000	3,205,000	2,095,000	3,215,000	2,655,000	1,235,000
2011-12	3,495,000	3,445,000	2,250,000	3,445,000	2,750,000	1,280,000
2012-13	3,700,000	3,710,000	2,415,000	3,695,000	2,855,000	1,325,000
2013-14	3,920,000	3,995,000	2,550,000	3,960,000	2,970,000	1,380,000
2014-15	4,155,000	4,230,000	2,695,000	4,185,000	3,090,000	1,435,000
2015-16	4,400,000	4,470,000	2,850,000	4,415,000	3,225,000	1,490,000
2016-17	4,665,000	4,725,000	3,015,000	4,665,000	3,385,000	1,550,000
2017-18	4,930,000	4,995,000	3,190,000	4,935,000	3,550,000	1,625,000
2018-19	5,215,000	5,280,000	3,370,000	5,215,000	3,725,000	1,710,000
2019-20	5,515,000	5,570,000	3,560,000	5,515,000	3,915,000	1,800,000
2020-21	-	-	-	-	4,110,000	1,890,000
2021-22	-	-	-	-	4,315,000	1,990,000
2022-23	-	-	-	-	4,520,000	2,095,000
2023-24	-	-	-	-	-	2,190,000
2024-25	-	-	-	-	-	2,295,000
2025-26	-	-	-	-	-	2,410,000
Total	<u>\$ 53,165,000</u>	<u>\$ 49,380,000</u>	<u>\$ 33,480,000</u>	<u>\$ 53,160,000</u>	<u>\$ 52,565,000</u>	<u>\$ 31,200,000</u>

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, 2006  
(Unaudited)**

Fiscal Year	Airport Way Urban Renewal Bonds	Convention Center Urban Renewal Bonds	South ParkBlocks Urban Renewal Bonds	Downtown Waterfront Urban Renewal Bonds	River District Urban Renewal Bonds	Interstate Corridor Urban Renewal Bonds
	Series A & B	Series A & B	Series A & B	Series A & B	Series A & B	Series A
2007-08	\$ 2,914,868	\$ 3,103,401	\$ 2,058,650	\$ 3,190,349	\$ 2,299,138	\$ 1,395,681
2008-09	2,800,368	3,103,401	1,939,121	2,939,064	2,235,098	1,367,306
2009-10	2,682,305	2,896,663	1,809,729	2,823,142	2,161,745	1,332,356
2010-11	2,512,545	2,673,163	1,669,164	2,605,705	2,075,650	1,296,356
2011-12	2,336,585	2,429,583	1,517,486	2,372,296	1,980,070	1,253,131
2012-13	2,129,225	2,166,041	1,353,461	2,122,189	1,875,570	1,208,331
2013-14	1,910,175	1,880,371	1,214,310	1,857,604	1,763,654	1,155,331
2014-15	1,676,375	1,647,008	1,069,310	1,636,298	1,644,260	1,100,131
2015-16	1,430,355	1,405,718	914,348	1,404,228	1,508,693	1,042,731
2016-17	1,166,355	1,149,705	751,073	1,152,515	1,349,845	983,131
2017-18	900,450	880,555	578,835	884,465	1,180,595	905,631
2018-19	616,975	595,250	395,410	603,188	1,006,200	824,381
2019-20	317,113	306,350	204,400	303,325	819,950	734,606
2020-21	-	-	-	-	624,200	640,106
2021-22	-	-	-	-	418,700	540,881
2022-23	-	-	-	-	212,100	436,406
2023-24	-	-	-	-	-	344,750
2024-25	-	-	-	-	-	235,250
2025-26	-	-	-	-	-	120,500
<b>Total</b>	<b>\$ 23,393,694</b>	<b>\$ 24,237,209</b>	<b>\$ 15,475,297</b>	<b>\$ 23,894,368</b>	<b>\$ 23,155,468</b>	<b>\$ 16,917,000</b>

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.

# PDC

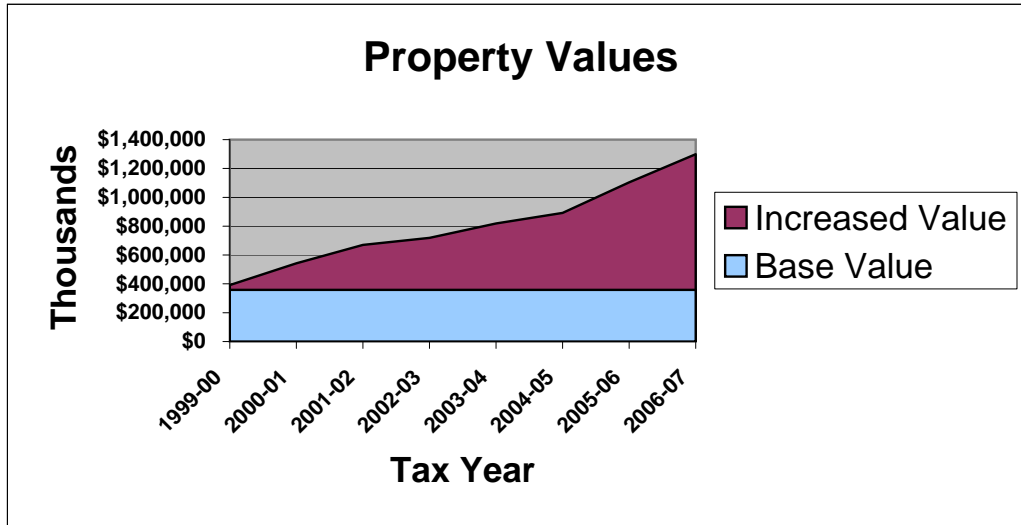
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PORTLAND  
DEVELOPMENT  
COMMISSION

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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)**



<u>Tax Year</u>	<u>Tax Rate (Note 1)</u>	<u>Base Value</u>	<u>Increased Value</u>	<u>Tax Revenue for Urban Renewal Debt (Note 1)</u>
1999-00	\$ 20.06	\$ 358,684,364	\$ 32,844,475	\$ 623,147
2000-01	20.57	358,684,364	183,247,735	3,471,739
2001-02	20.44	358,684,364	311,352,811	5,842,752
2002-03	20.79	358,684,364	360,419,813	7,103,547
2003-04	22.01	358,684,364	460,215,910	9,343,873
2004-05	21.87	358,684,364	532,780,808	10,862,749
2005-06	19.42	358,684,364	744,785,705	13,737,324
2006-07	19.78	358,684,364	940,187,466	17,772,628

Source: Multnomah County Division of Assessment and Taxation

	<u>URA</u>		<u>Portland</u>	
	<u>Current 2004</u>	<u>Projected 2009</u>	<u>Current 2004</u>	<u>Projected 2009</u>
Population	1,309	1,485	537,164	552,513
Per Capita Income	\$ 34,214	\$ 40,065	\$ 26,370	\$ 31,604
Total Housing Units	985	1,125	240,904	246,986
Owner Occupied Housing Units	169	209	122,122	125,762
Renter Occupied Housing Units	776	873	104,479	106,644

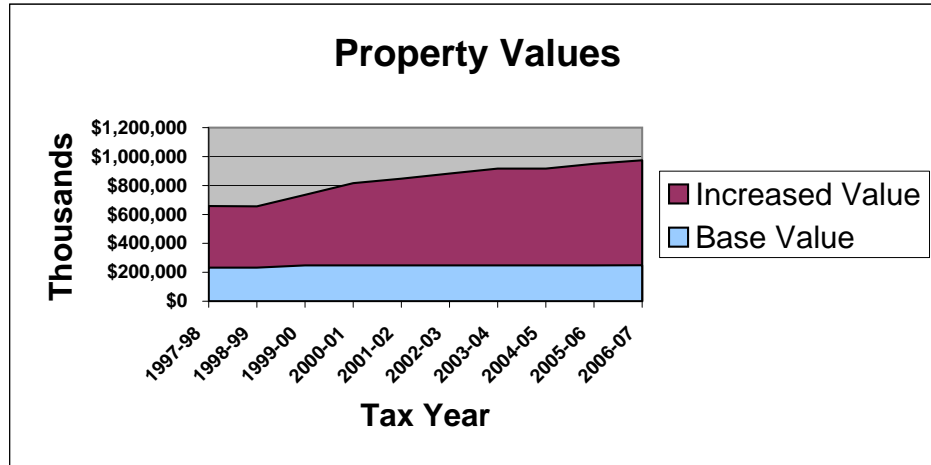
Source: Portland Development Commission GIS Department -  
data is not updated on an annual basis

Note 1: Amounts are budgeted estimated revenues and not the actual collections for the fiscal year.



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 (Note 1)	Base Value	Increased Value	Tax Revenue for Urban Renewal Debt (Note 1)
1997-98	\$ 32.29	\$ 231,818,606	\$ 426,342,742	\$ 8,434,168 (Note 2)
1998-99	32.29	231,818,606	424,345,152	5,554,905 (Note 2)
1999-00	20.06	247,502,688	487,738,648	6,200,000
2000-01	20.57	247,502,688	568,643,372	5,740,000
2001-02	20.44	247,502,688	599,699,903	5,740,000
2002-03	20.79	247,728,838	634,324,294	5,740,000
2003-04	22.01	247,728,838	669,453,106	5,740,000
2004-05	21.87	247,728,838	668,865,098	5,740,000
2005-06	19.47	248,214,131	701,773,824	5,740,000
2006-07	19.81	248,689,281	725,955,191	5,740,000

Source: Multnomah County Division of Assessment and Taxation

	URA		Portland	
	Current 2004	Projected 2009	Current 2004	Projected 2009
Population	1,726	1,784	537,164	552,513
Per Capita Income	\$ 26,858	\$ 32,818	\$ 26,370	\$ 31,604
Total Housing Units	1,239	1,277	240,904	246,986
Owner Occupied Housing Units	244	262	122,122	125,762
Renter Occupied Housing Units	820	837	104,479	106,644

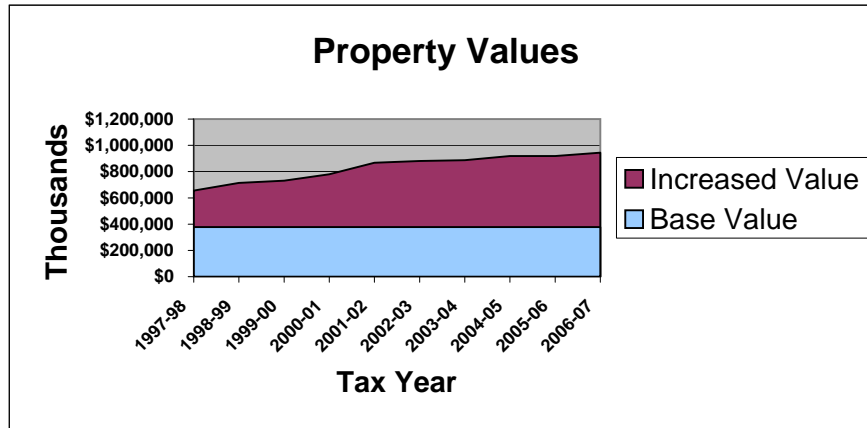
Source: Portland Development Commission GIS Department -  
data is not updated on an annual basis

Note 1: Amounts are budgeted estimated revenues and not the actual collections for the fiscal year.

Note 2: Measure 50 allowed urban renewal agencies to impose up to their pre Measure 47 capacity.  
Amounts imposed over divided tax calculations are imposed via city-wide special levy.

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 (Note 1)	Base Value	Increased Value	Tax Revenue for Urban Renewal Debt (Note 1)
1997-98	\$ 32.00	\$ 378,055,680	\$ 277,508,498	\$ 5,489,840 (Note 2)
1998-99	32.00	378,055,680	335,859,080	6,281,492
1999-00	20.06	378,055,680	353,392,693	5,660,000
2000-01	20.57	378,055,680	402,102,868	5,660,000
2001-02	20.44	378,055,680	489,214,478	5,660,000
2002-03	20.79	378,055,680	502,592,163	5,660,000
2003-04	22.01	378,055,680	508,799,241	5,660,000
2004-05	21.87	378,055,680	540,333,579	5,660,000
2005-06	19.42	378,055,680	540,982,035	5,660,000
2006-07	19.78	378,055,680	566,120,167	5,660,000

Source: Multnomah County Division of Assessment and Taxation

	URA		Portland	
	Current 2004	Projected 2009	Current 2004	Projected 2009
Population	5,321	5,689	537,164	552,513
Per Capita Income	\$ 20,943	\$ 24,439	\$ 26,370	\$ 31,604
Total Housing Units	3,880	4,165	240,904	246,986
Owner Occupied Housing Units	217	252	122,122	125,762
Renter Occupied Housing Units	3,383	3,614	104,479	106,644

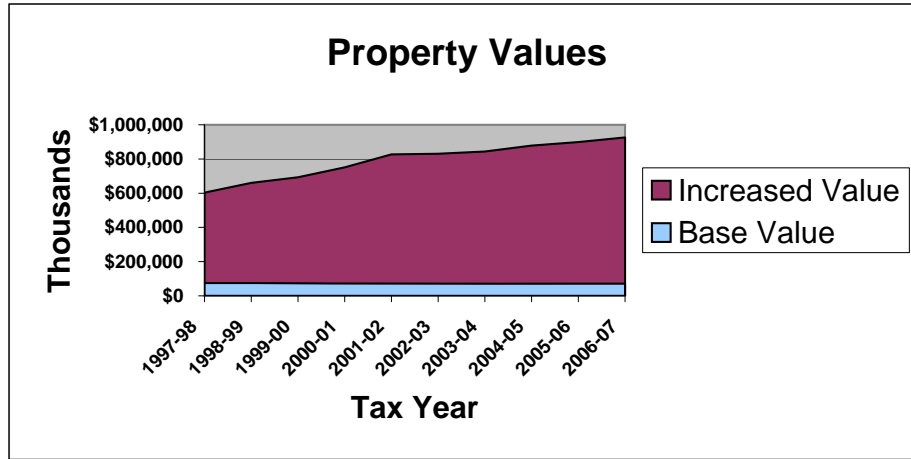
Source: Portland Development Commission GIS Department - data is not updated on an annual basis

Note 1: Amounts are budgeted estimated revenues and not the actual collections for the fiscal year.

Note 2: Measure 50 allowed urban renewal agencies to impose up to their pre Measure 47 capacity. Amounts imposed over divided tax calculations are imposed via city-wide special levy.

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 (Note 1)	Base Value	Increased Value	Tax Revenue for Urban Renewal Debt (Note 1)
1997-98	\$ 33.38	\$ 74,836,564	\$ 528,782,458	\$ 10,460,692 (Note 2)
1998-99	33.38	74,836,564	585,427,584	12,449,684 (Note 2)
1999-00	20.06	74,836,564	618,433,581	12,960,000
2000-01	20.57	70,866,644	680,684,980	7,710,000
2001-02	20.44	70,866,644	755,937,736	7,710,000
2002-03	20.79	70,866,644	759,787,319	7,710,000
2003-04	22.01	70,866,644	772,959,655	7,710,000
2004-05	21.87	70,866,644	807,467,176	7,710,000
2005-06	19.42	70,866,644	828,313,148	7,710,000
2006-07	19.78	70,866,644	854,990,000	7,710,000

Source: Multnomah County Division of Assessment and Taxation

	URA		Portland	
	Current 2004	Projected 2009	Current 2004	Projected 2009
Population	4,629	5,016	537,164	552,513
Per Capita Income	\$ 27,174	\$ 32,047	\$ 26,370	\$ 31,604
Total Housing Units	3,142	3,499	240,904	246,986
Owner Occupied Housing Units	349	416	122,122	125,762
Renter Occupied Housing Units	2,301	2,538	104,479	106,644

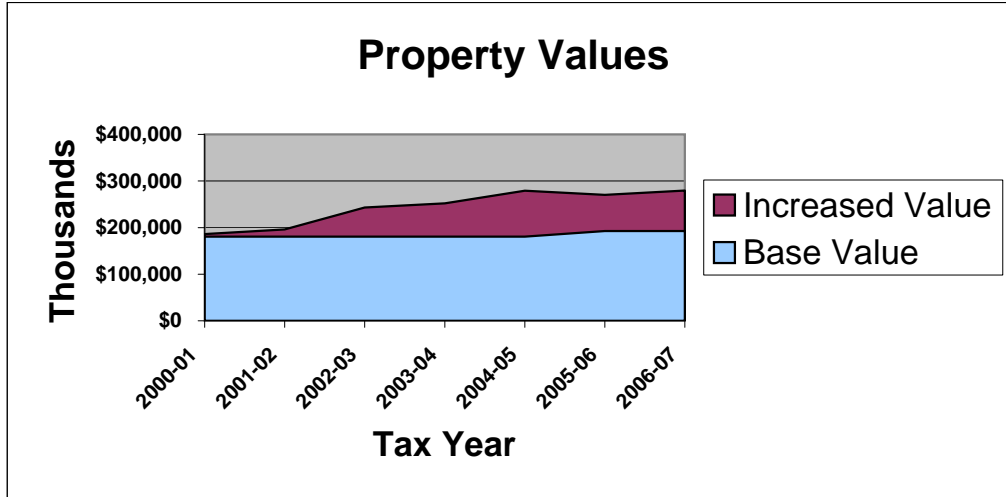
Source: Portland Development Commission GIS Department - data is not updated on an annual basis

Note 1: Amounts are budgeted estimated revenues and not the actual collections for the fiscal year.

Note 2: Measure 50 allowed urban renewal agencies to impose up to their pre Measure 47 capacity. Amounts imposed over divided tax calculations are imposed via city-wide special levy.

**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)**



<u>Tax Year</u>	<u>Tax Rate (Note 1)</u>	<u>Base Value</u>	<u>Increased Value</u>	<u>Tax Revenue for Urban Renewal Debt (Note 1)</u>
2000-01	\$ 20.57	\$ 180,450,967	\$ 5,702,908	\$ 112,356
2001-02	20.44	180,450,967	15,450,023	302,150
2002-03	20.79	180,450,967	62,791,415	1,217,311
2003-04	22.01	180,450,967	71,592,763	1,429,014
2004-05	21.87	180,450,967	98,624,297	1,979,063
2005-06	19.42	192,609,397	77,592,382	1,399,458
2006-07	19.78	192,609,397	86,887,411	1,623,196

Source: Multnomah County Division of Assessment and Taxation

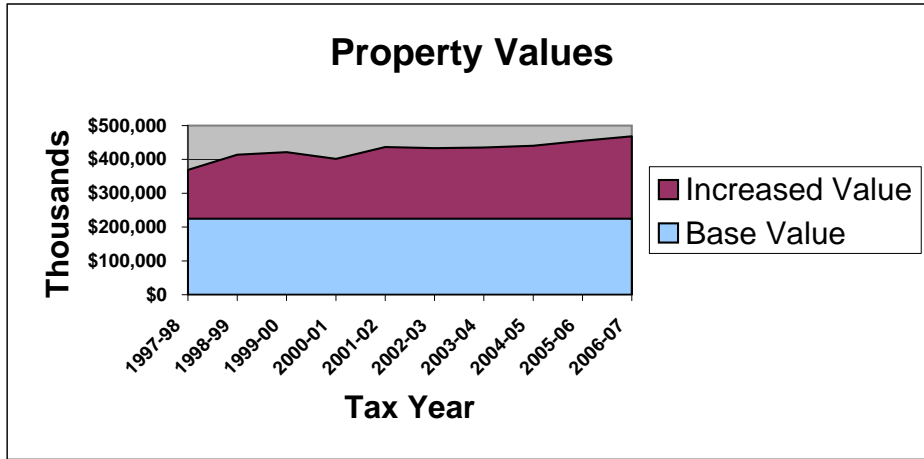
	<u>URA</u>		<u>Portland</u>	
	<u>Current 2004</u>	<u>Projected 2009</u>	<u>Current 2004</u>	<u>Projected 2009</u>
Population	636	641	537,164	552,513
Per Capita Income	\$ 58,092	\$ 74,497	\$ 26,370	\$ 31,604
Total Housing Units	499	500	240,904	246,986
Owner Occupied Housing Units	155	152	122,122	125,762
Renter Occupied Housing Units	272	277	104,479	106,644

Source: Portland Development Commission GIS Department -  
data is not updated on an annual basis

Note 1: Amounts are budgeted estimated revenues and not the actual collections for the fiscal year.

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 (Note 1)	Base Value	Increased Value	Tax Revenue for Urban Renewal Debt (Note 1)
1997-98	\$ 32.01	\$ 224,605,349	\$ 144,236,982	\$ 385,651 (Note 2)
1998-99	32.01	224,605,349	189,332,152	2,153,777 (Note 2)
1999-00	20.06	224,605,349	196,914,942	3,736,001
2000-01	20.57	224,605,349	177,129,421	3,413,383
2001-02	20.44	224,605,349	212,183,161	4,046,580
2002-03	20.79	224,605,349	208,600,216	4,098,707
2003-04	20.47	224,605,349	210,497,285	4,052,363
2004-05	20.32	224,605,349	215,708,847	4,152,621
2005-06	17.92	224,605,349	230,380,503	3,962,009
2006-07	18.26	224,605,349	243,532,862	4,285,706

Source: Multnomah County Division of Assessment and Taxation

	URA		Portland	
	Current 2004	Projected 2009	Current 2004	Projected 2009
Population	1,709	1,738	537,164	552,513
Per Capita Income	\$ 23,081	\$ 28,479	\$ 26,370	\$ 31,604
Total Housing Units	922	935	240,904	246,986
Owner Occupied Housing Units	140	155	122,122	125,762
Renter Occupied Housing Units	699	696	104,479	106,644

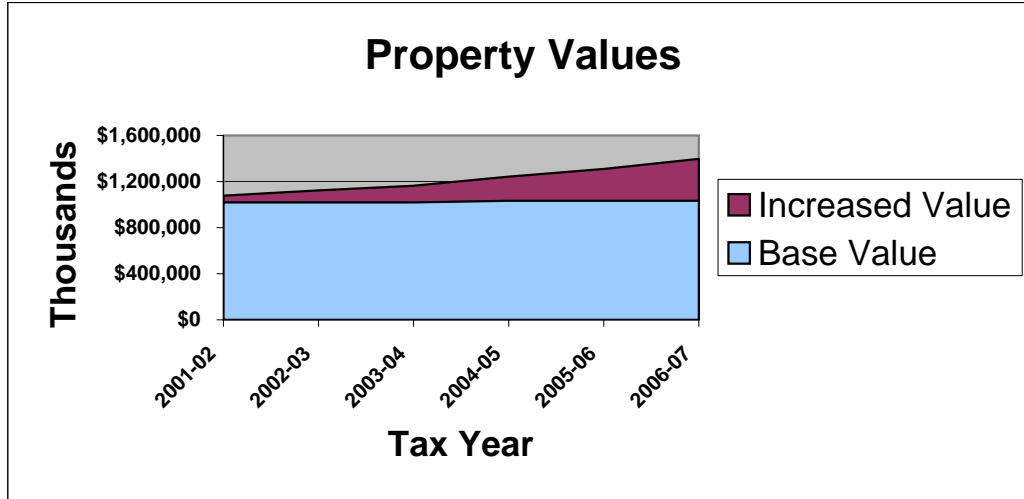
Source: Portland Development Commission GIS Department -  
data is not updated on an annual basis

Note 1: Amounts are budgeted estimated revenues and not the actual collections for the fiscal year.

Note 2: Measure 50 allowed urban renewal agencies to impose up to their pre Measure 47 capacity.  
Amounts imposed over divided tax calculations are imposed via city-wide special levy.

**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)**



<u>Tax Year</u>	<u>Tax Rate (Note 1)</u>	<u>Base Value</u>	<u>Increased Value</u>	<u>Tax Revenue for Urban Renewal Debt (Note 1)</u>
2001-02	\$ 20.44	\$ 1,019,794,975	\$ 58,139,955	\$ 1,145,888
2002-03	20.79	1,019,370,465	104,464,625	2,042,768
2003-04	22.01	1,019,370,465	144,893,801	2,917,362
2004-05	21.87	1,033,372,876	209,114,965	4,241,749
2005-06	19.47	1,033,372,876	276,292,476	5,082,291
2006-07	19.81	1,033,372,876	363,829,663	6,871,675

Source: Multnomah County Division of Assessment and Taxation

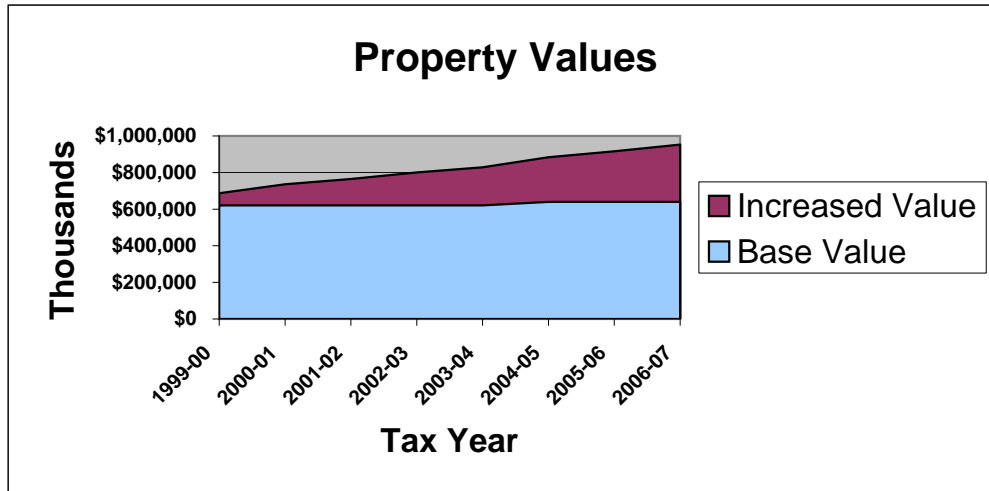
	<u>URA</u>		<u>Portland</u>	
	<u>Current 2004</u>	<u>Projected 2009</u>	<u>Current 2004</u>	<u>Projected 2009</u>
Population	29,088	29,618	537,164	552,513
Per Capita Income	\$ 17,078	\$ 19,925	\$ 26,370	\$ 31,604
Total Housing Units	11,963	12,138	240,904	246,986
Owner Occupied Housing Units	5,623	5,740	122,122	125,762
Renter Occupied Housing Units	5,349	5,399	104,479	106,644

Source: Portland Development Commission GIS Department -  
data is not updated on an annual basis

Note 1: Amounts are budgeted estimated revenues and not the actual collections for the fiscal year.

**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)



<u>Tax Year</u>	<u>Tax Rate (Note 1)</u>	<u>Base Value</u>	<u>Increased Value</u>	<u>Tax Revenue for Urban Renewal Debt (Note 1)</u>
1999-00	\$ 19.61	\$ 620,720,135	\$ 66,310,682	\$ 1,244,845
2000-01	19.82	620,720,135	115,413,447	2,287,157
2001-02	19.69	620,720,135	144,345,122	2,919,878
2002-03	20.51	620,720,135	179,595,927	3,510,806
2003-04	21.73	620,720,135	208,029,051	4,195,462
2004-05	21.51	640,177,922	243,212,853	4,917,064
2005-06	20.53	640,177,922	275,822,211	5,236,593
2006-07	20.33	640,177,922	312,317,448	6,062,712

Source: Multnomah County Division of Assessment and Taxation

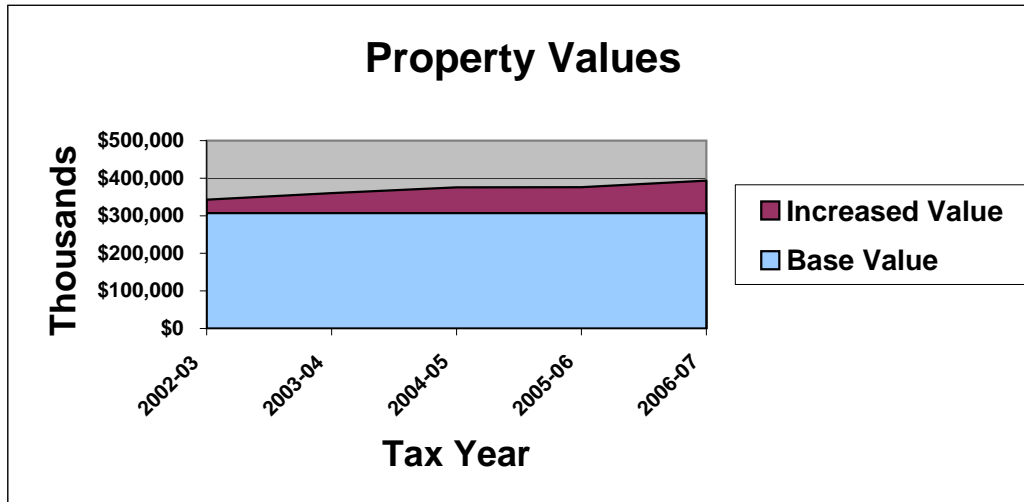
	<u>URA</u>		<u>Portland</u>	
	<u>Current 2004</u>	<u>Projected 2009</u>	<u>Current 2004</u>	<u>Projected 2009</u>
Population	23,168	23,871	537,164	552,513
Per Capita Income	\$ 16,342	\$ 19,098	\$ 26,370	\$ 31,604
Total Housing Units	8,976	9,198	240,904	246,986
Owner Occupied Housing Units	4,633	4,773	122,122	125,762
Renter Occupied Housing Units	3,756	3,830	104,479	106,644

Source: Portland Development Commission GIS Department - data is not updated on an annual basis

Note 1: Amounts are budgeted estimated revenues and not the actual collections for the fiscal year.

**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)**



<u>Tax Year</u>	<u>Tax Rate (Note 1)</u>	<u>Base Value</u>	<u>Increased Value</u>	<u>Tax Revenue for Urban Renewal Debt (Note 1)</u>
2002-03	\$ 20.33	\$ 307,174,681	\$ 35,847,381	\$ 681,485
2003-04	21.79	307,174,681	53,283,385	1,051,650
2004-05	21.50	307,174,681	68,476,163	1,354,195
2005-06	20.57	307,174,681	68,766,041	1,372,764
2006-07	21.35	307,174,681	86,192,591	1,748,035

Source: Multnomah County Division of Assessment and Taxation

	<u>URA</u>		<u>Portland</u>	
	<u>Current 2004</u>	<u>Projected 2009</u>	<u>Current 2004</u>	<u>Projected 2009</u>
Population	5,024	5,451	537,164	552,513
Per Capita Income	\$ 19,581	\$ 22,136	\$ 26,370	\$ 31,604
Total Housing Units	2,254	2,426	240,904	246,986
Owner Occupied Housing Units	820	904	122,122	125,762
Renter Occupied Housing Units	1,241	1,316	104,479	106,644

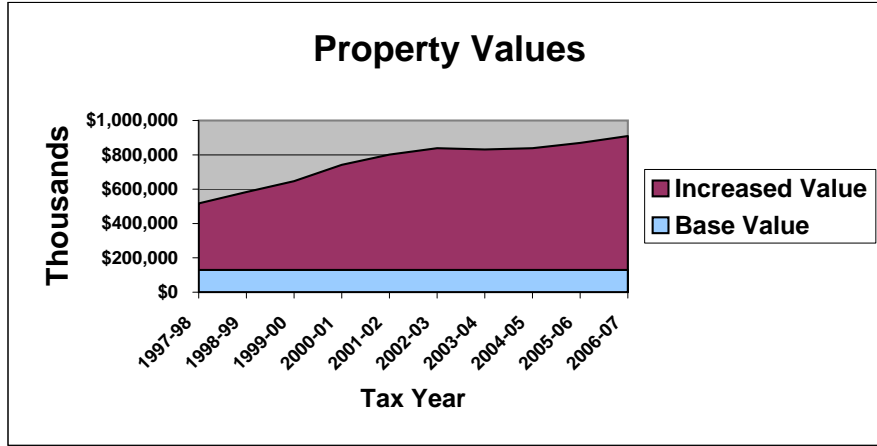
Source: Portland Development Commission GIS Department -  
data is not updated on an annual basis

Note 1: Amounts are budgeted estimated revenues and not the actual collections for the fiscal year.



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 (Note 1)	Base Value	Increased Value	Tax Revenue for Urban Renewal Debt (Note 1)
1997-98	\$ 29.59	\$ 129,701,177	\$ 387,340,344	\$ 7,683,820 (Note 2)
1998-99	29.59	129,701,177	453,775,618	2,422,228 (Note 2)
1999-00	20.04	129,701,177	516,668,514	1,755,170
2000-01	19.01	129,701,177	611,974,431	2,540,000
2001-02	19.75	129,701,177	671,716,792	2,540,000
2002-03	20.27	129,701,177	708,692,948	2,540,000
2003-04	21.74	129,701,177	701,262,923	2,540,000
2004-05	21.42	129,701,177	708,712,135	2,540,000
2005-06	20.60	129,701,177	739,905,461	2,540,000
2006-07	20.60	129,701,177	779,770,869	2,540,000

Source: Multnomah County Division of Assessment and Taxation

	URA		Portland	
	Current 2004	Projected 2009	Current 2004	Projected 2009
Population	56	57	537,164	552,513
Per Capita Income	\$ 17,867	\$ 20,053	\$ 26,370	\$ 31,604
Total Housing Units	22	23	240,904	246,986
Owner Occupied Housing Units	10	11	122,122	125,762
Renter Occupied Housing Units	11	11	104,479	106,644

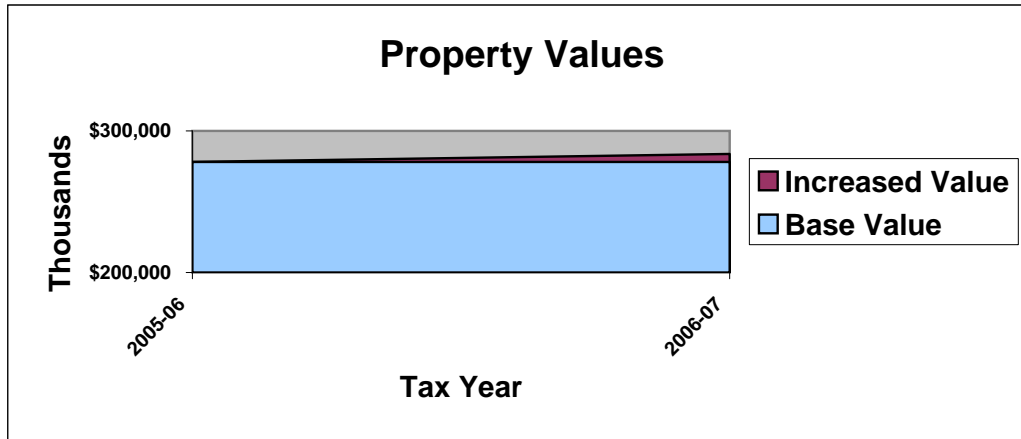
Source: Portland Development Commission GIS Department -  
data is not updated on an annual basis

Note 1: Amounts are budgeted estimated revenues and not the actual collections for the fiscal year.

Note 2: Measure 50 allowed urban renewal agencies to impose up to their pre Measure 47 capacity.  
Amounts imposed over divided tax calculations are imposed via city-wide special levy.

**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)**



<u>Tax Year</u>	<u>Tax Rate (Note 1)</u>	<u>Base Value</u>	<u>Increased Value</u>	<u>Tax Revenue for Urban Renewal Debt (Note 1)</u>
2005-06	\$ 18.26	\$ 278,034,345	\$ -	\$ -
2006-07	18.26	278,034,345	5,655,915	83,294

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 \$71,720,000 in fiscal year 2006-07.

Source: Multnomah County Division of Assessment and Taxation

	<u>URA</u>		<u>Portland</u>	
	<u>Current 2004</u>	<u>Projected 2009</u>	<u>Current 2004</u>	<u>Projected 2009</u>
Population	56	57	537,164	552,513
Per Capita Income	\$ 17,867	\$ 20,053	\$ 26,370	\$ 31,604
Total Housing Units	N/A	N/A	240,904	246,986
Owner Occupied Housing Units	N/A	N/A	122,122	125,762
Renter Occupied Housing Units	N/A	N/A	104,479	106,644

Source: Portland Development Commission GIS Department -  
data is not updated on an annual basis

Note 1: Amounts are budgeted estimated revenues and not the actual collections for the fiscal year.

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

**TOTAL PERSONAL INCOME, PER CAPITA INCOME, AND POPULATION TRENDS  
PORTLAND/VANCOUVER/BEAVERTON MSA, OREGON, AND THE UNITED STATES  
1997 to 2006  
(Unaudited)**

Year	Personal Income (Millions)			Per Capita Income		
	Portland/ Vancouver/ Beaverton MSA	Oregon	U.S. Total	Portland/ Vancouver/ Beaverton MSA	Oregon	U.S. Total
1997	\$ 50,912	\$ 80,854	\$ 6,907,332	\$ 27,672	\$ 24,469	\$ 25,334
1998	54,106	85,629	7,415,709	28,851	25,542	26,883
1999	56,918	89,873	7,996,137	29,858	26,480	27,939
2000	62,190	96,402	8,422,074	32,122	28,097	29,845
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

Sources: U.S. Department of Commerce, Bureau of Economic Analysis as of 9/10/07.  
Oregon Office of Economic Analysis

Note: 2006 Preliminary

**POPULATION TRENDS**

Year	Portland	Portland/ Vancouver/ Beaverton MSA	Oregon	U.S. Total
1990	438,802	NA	2,842,321	249,622,814
2000	529,121	1,935,960	3,421,399	281,421,906
2001	534,689	1,960,500	3,474,183	285,226,284
2002	538,095	1,989,550	3,523,529	288,125,973
2003	538,843	2,019,250	3,561,155	290,796,023
2004	532,742	2,050,650	3,589,168	293,638,158
2005	533,467	2,082,240	3,638,871	296,507,061
2006	537,081	2,137,540	3,700,758	299,398,484

Source: U.S. Department of Commerce, Bureau of Economic Analysis as of 9/10/07.  
Oregon Office of Economic Analysis

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

**LENDING ACTIVITY  
For The Last Ten Fiscal Years  
(Unaudited)**

<u>Fiscal Year</u>	<u>Homeowner Loans</u>		<u>Rental Housing Loans</u>		<u>Business Loans</u>	
	<u>Number of Units</u>	<u>Dollar Amount</u>	<u>Number of Units</u>	<u>Dollar Amount</u>	<u>Number of loans</u>	<u>Dollar Amount</u>
1997-98	223	\$ 5,953,894	1,071	\$ 11,511,937	37	\$ 2,084,255
1998-99	237	4,183,685	2,091	27,181,590	32	3,509,472
1999-00	210	3,675,319	750	16,767,800	48	9,979,557
2000-01	264	3,984,322	687	23,158,276	26	2,052,703
2001-02	215	5,433,114	1,003	22,079,544	24	4,058,226
2002-03	161	2,334,155	1,766	38,402,972	25	5,767,290
2003-04	283	5,450,503	660	13,543,836	42	7,148,345
2004-05	259	3,447,477	882	17,398,098	52	10,590,559
2005-06	163	5,189,916	725	26,115,141	59	14,505,900
2006-07	100	3,715,847	1,374	42,936,188	54	12,466,365

Source: Commission loan system.

Notes: Homeowner loans are made to owner-occupant of single family dwellings. Financial assistance is provided for improvements ranging from security enhancements to whole house acquisition and rehabilitation. One house constitutes a unit.

Rental housing loans are made to investors and developers for multi-family dwellings. Financial assistance is provided for rehabilitation or for construction of new multi-family rental dwellings. An apartment constitutes a unit.

Business loans provide assistance for building repair, facility expansion, new equipment or working capital.



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

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

MISCELLANEOUS STATISTICS

June 30, 2007  
(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	FY2000-01		FY2001-02		FY2002-03		FY2003-04		FY2004-05		FY2005-06		FY2006-07	
	FTE	FTE	FTE	FTE	LTE *	FTE	LTE *	FTE	LTE *	FTE	LTE *	FTE	LTE *	
Development	22.5	32.0	33.5	33.5	4.0	32.5	5.0	34.5	7.0	42.5	1.0	(4)		
Economic Development	21.0	25.5	21.0	23.0	1.0	23.0	1.0	26.0	2.0	26.0	0.0	(4)		
Housing	29.6	37.3	38.3	37.0	8.0	37.0	8.0	34.0	7.0	42.0	1.0	(4)		
Executive	27.4	32.6	44.0	(1)	47.0	16.0	24.0	8.0	(2)	26.0	9.0	11.0	0.0	(4)
Central Services	24.0	30.0	22.0	(1)	23.0	5.0	52.0	10.0	(2)	56.0	9.0	55.0	0.0	(4)
Community Relations & Business Equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8.0	0.0	(4)
People & Technology	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	28.0	0.0	(4)
Resource Development	3.0	4.0	5.0	5.0	3.0	6.0	0.0	0.0	0.0	(3)	0.0	0.0	0.0	
<b>Total</b>	<b>127.5</b>	<b>161.4</b>	<b>163.8</b>	<b>168.5</b>	<b>37.0</b>	<b>174.5</b>	<b>32.0</b>	<b>176.5</b>	<b>34.0</b>	<b>212.5</b>	<b>2.0</b>			

\* PDC began utilizing Limited-term FTE positions (LTE) in FY 2002-03 to help meet the agency's workload brought on by multiple new projects and initiatives.

Note 1: The fluctuation between Executive and Central Services was caused by the transfer of Information Services to the Executive Department.

Note 2: Information Services and Professional Services were transferred to Central Services from the Executive Department.

Note 3: In FY 2005-06 Resource Development has been merged with Economic Development as reflected in the chart at the left.

Note 4: 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.

Urban Renewal District Land Area and Base Values  
As of June 30, 2007

District	Acres	Base Value
Airport Way	2,726	\$ 129,701,177
Central Eastside	685	224,605,349
Convention Center Area	593	248,689,281
Interstate Corridor	3,769	1,033,372,876
Lents Town Center	2,707	640,177,922
North Macadam	388	192,609,397
River District	309	358,684,364
South Park Blocks	161	378,055,680
Gateway	659	307,174,681
Downtown Waterfront	279	70,866,644
Willamette Industrial	758	278,034,345
<b>Total URA Land Data</b>	<b>13,034</b>	<b>\$ 3,861,971,716</b>
<b>Total City Land Data</b>	<b>92,614</b>	<b>\$ 41,604,076,567</b>
Urban Renewal Land as a Percentage of City Total	14.1%	9.3%

# PDC

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PORTLAND  
DEVELOPMENT  
COMMISSION

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# Audit Comments and Disclosures\_\_\_\_\_



# PDC

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PORTLAND  
DEVELOPMENT  
COMMISSION

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**REPORT 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 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) (the Commission) Oregon, as of and for the year ended June 30, 2007, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated December 20, 2007. 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**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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

### **2007-1 Errors and inaccuracies in the Financial Statement draft.**

Criteria: The preparation of the Comprehensive Annual Financial Report (CAFR) requires many adjustments and reclassifications outside of the general ledger to revert the balances to the modified and full accrual bases of accounting. In addition, many accounts within the general ledger get added together to provide subtotals that appear in the CAFR. Therefore, a careful documentation and understanding of the account groupings, mapping, and adjusting and reclassifying entries needed outside of the general ledger is necessary to adequately support summary amounts reported in the various statements, schedules, and notes within the CAFR. Management provided us with a mapping of general ledger accounts during fieldwork to assist us in organizing our work papers and documentation of audit tests to provide subtotals that should appear in the CAFR.

Condition: After receipt of the CAFR draft, we found that a significant effort was necessary to revise the account groupings according to the initial mapping provided by management as discussed above to match amounts presented within the draft. During our process to resolve the variances, errors were found in the year-end entries posted by management to convert the budgetary basis numbers to the modified and full accrual basis numbers in the statements. Further, there were significant issues identified requiring reclassification in the statements - like negative cash balances of individual funds share of the pooled cash, negative revenues and negative expenditures reported in the change statements. Also, the statements contained many errors in rows that were omitted that had reportable balances so subtotals and totals did not foot properly. And finally, there were significant revisions to the footnotes we found to be necessary.

Cause: Our assessment of the above financial statement accounting and reporting related issues stem from three issues. The first was from turnover of key PDC finance staff members that had been responsible for the CAFR drafting in prior years who retired from PDC. The second was from other turnover among finance staff that prevented accounting staff from focusing on the CAFR drafting process. And finally, there appear to be insufficient internal control procedures over the supervision and review of the CAFR drafting process to ensure the draft is accurate and complete. This was the first year current accounting staff were solely responsible for the CAFR drafting. Ultimately, we are satisfied that PDC finance staff have the necessary experience and knowledge to take responsibility for the statements, and they were able to identify the adjustments that were necessary to correct the statements after we pointed out the areas that appeared outside of our expectations, and the accuracy of the draft statements initially presented for our review would have been markedly better had they had adequate time to devote to drafting and away from their normal day-to-day activities.

Effect: As a result, additional time was required to review the financial statements and multiple iterations were submitted before a final draft was completed.

Recommendation: We recommend PDC management evaluate the needs of the accounting department to provide the time necessary to devote the CAFR preparation

process. In addition, we recommend PDC evaluate the controls in place over the financial statement close and reporting processes used to prepared the CAFR to improve PDC's ability to identify and correct errors internally.

**2007-2 Errors in the accounting for loan discount allowances.**

Criteria: PDC's accounting policy provides for recording long-term loans receivable net of interest rate discount and uncollectible allowances. Controls should be in place to ensure errors and irregularities are identified timely by employees in the normal course of performing their duties.

Condition: In our testing of loans receivable, we found an internal memo analyzing quarterly variances in recorded loan discount allowance balances that documented the identification of an error in the calculation of discounts for loans in excess of 360 months. As a result, there was a sizeable adjustment that was recorded in the fourth quarter of the 2007 to correct for the error.

Cause: The internal controls were apparently insufficient during prior years and through the third quarter of the 2007 fiscal year to catch the error in the spreadsheet used to perform the discount calculation. We found that management did not evaluate the error as of the beginning of the year to determine if there was a material error affecting the prior year statements.

Effect: We obtained from management an analysis of the corrected calculation as of the beginning of the year - and found that the discount related error totaled \$14,252,000 resulting in an overstatement of the net book value at June 30, 2006. Management then applied their accounting policies on the corrected net book value after the discounts for amounts that will not be collected based on historical percentages for incentive programs and bad debts. That adjustment resulted in an offsetting increase in the net book value of \$12,568,000. The net impact of these two calculations was an overstatement of the beginning net book values after discounts and uncollectible allowances of \$1,684,000, which was determined to be immaterial to the financial statements, and a prior period adjustment was not recorded. We concur with that decision.

Recommendation: We recommend that management evaluate the effectiveness of the controls over discount and uncollectible allowance calculations and revise as necessary, as well as to consider the full effect of errors identified during the year on prior years to determine the impact, if any, on previously issued financial statements.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

### **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 PDC in a separate letter dated December 20, 2007.

This report is intended solely for the information and use of the Board of Directors, 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*

Portland, Oregon  
December 20, 2007

[www.mossadams.com](http://www.mossadams.com)

**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***

Board of Commissioners  
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 (PDC), a Component Unit of the City of Portland Oregon, as of and for the year ended June 30, 2007 and have issued our report thereon dated December 20, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

**Compliance**

As part of obtaining reasonable assurance about whether PDC'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 amount and adequacy of collateral pledged by depositories to secure the deposit of public funds.
- The requirements relating to debt.
- The requirements relating to the preparation, adoption and execution of the annual budgets for fiscal years 2008 and 2007.
- 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.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State, except those noted below.

Interfund Borrowings. ORS 294.460 requires formal authorization through official resolution or ordinance of the governing body when one fund loans money to any other fund. The results of our tests disclosed one instance where PDC management did not obtain approval by formal resolution or ordinance from the PDC Board of Commissioners for an interfund borrowing. The Other Federal Grants Fund ended the year with a deficit cash balance of \$77,498 as the result of federal grant expenditures not yet reimbursed by the City of Portland. This deficit represents an Interfund loan not approved by resolution from the PDC Board of Commissioners.

Budget over-expenditures. PDC had two expenditures above their appropriations for the year, both in the Finance function within the Downtown Waterfront Urban Renewal Fund in the amount of \$3,551, and in the North Macadam Urban Renewal Fund in the amount of \$15,431.

Budget Officer. ORS 294.331 requires the governing body to designate by charter one person to serve as budget officer. During review of PDC's charter, we found it does not designate one person to serve as budget officer nor did PDC appoint a budget officer through formal resolution.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered PDC'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 PDC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of PDC's internal control over financial reporting.

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

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

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

We did however, identify other internal control deficiencies that we have reported to management in separate reports as required by professional standards.

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.



For Moss Adams LLP  
Portland, Oregon  
December 20, 2007



# PDC

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PORTLAND  
DEVELOPMENT  
COMMISSION

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*Investing in Portland's Future*

**PDC**

**PORTLAND DEVELOPMENT COMMISSION**

222 Northwest Fifth Avenue  
Portland, OR 97209

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tel: 503.823.3200 • fax: 503.823.3368

## **Responses to Moss Adams Management Letter for Audit Committee**

### **Management Letter Topics**

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

### **Management's Judgements and Accounting Estimates**

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. These judgements 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 management's current judgement.

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 an uncollectible loans and other receivables, useful lives of property and equipment, claims liability, employee benefit plan accruals, and overhead allocations. Based upon our audit procedures, we concur with the significant estimates and assumptions made by management in the preparation of the financial statements.

*Management Response:* Management agrees that judgements and accounting estimates are an integral part of the preparation of financial statements and have a significant impact on the Commission's financial statements. We support the recommendation that the Audit Committee monitor the process used to compute and record these accounting estimates throughout the year. To that end, a quarterly report describing facts and trends related to the loan allowance has been prepared throughout the fiscal year for the Central Services Director and the Loan Committee and are made available to the Audit Committee. Periodic reports describing estimates related to net realizable value of property held for resale and depreciation on capital assets can also be provided.

### **Audit Adjustments**

We are responsible for informing the Board about adjustments to the financial statements arising from our audit. Adjustments determined to be necessary by management and provided to us after the start of our fieldwork are in Attachment A, and are titled Management Adjustments. Adjustments found to be necessary as a result of our audit procedures are also included in Attachment A, and are titled Auditor Adjustments.

Additionally, one adjustment was identified but not made by management. This adjustment was due to an error in the formula used for calculating discounts on long-term loans receivable. The error resulted in an offsetting error in the calculation of the allowance for uncollectible accounts. A correction was made to the spreadsheet used to

calculate discount allowances in the fourth quarter. The result of these errors is an overstatement of the net loans receivable and net assets as of June 30, 2006, and a current year understatement in the excess of revenues over expenditures in the amount of \$1.6 million. Management deems the error to be immaterial to the government-wide financial statements as well as each individual major fund involved and we concur with that conclusion.

*Management Response:* Management concurs with the adjustments made and referenced in the Attachment A. With regard to these adjustments, management provides an edited copy with explanatory comments in Attachment AR with these responses. In general, the adjustments consist of: a) "Management Adjustments" which were determined to be necessary by PDC staff and management after the inception of audit fieldwork; b) "Auditor Adjustments" for items discovered through the audit process and determined to be necessary; and c) "Reclassification Adjustments", a subset of Auditor Adjustments, provided to Moss Adams for financial statement presentation adjustments made to reflect correct line item placement on the statements. This final group of adjustments is not made in the general ledger but is recorded in the financial statement preparation workbooks. The presentation adjustments were provided to Moss Adams to facilitate balancing their audit software to the PDC financial statements. In the future, these entries will be incorporated as part of the GAAP entry worksheet and provided to the auditor with the GAAP entries.

### **Difficulties Encountered in Performing the Audit**

The actual performance of our audit procedures during the planning and fieldwork stages of the audit went fairly smoothly, especially for a first year audit. Our impression from discussions with management is that our audit included testing of more transactions and balances than has been performed in the past, and required more of the Commission staff's time than was anticipated. We found management to be reasonably well prepared for our audit, and to be timely and thorough in their responses to us.

The additional time spent by Accounting staff in assisting us with our audit procedures, coupled with some staff turnover at the Commission in key positions that formerly were responsible for the annual financial statement drafting, led to delays in the Commission's completion of financial statements from the initial due date of September 30, 2007 to December 3, 2007, as well as in missing certain accounting and classification errors in the drafts prior to submitting them to us for review. With additional time on our part, as well as dedication and persistence on the part of Commission Accounting staff, the financial statements were completed accurately and ultimately issued before the December 31, 2007 due date to the State of Oregon.

*Management Response:* Management concurs that understaffing contributed significantly to the financial statement accounting and reporting issues raised. A recruitment effort is underway for a senior-level accountant with extensive governmental accounting and CAFR experience. Scheduling adjustments may also be made to ensure that sufficient time is allotted to the preparation of the

initial CAFR draft provided to the auditor for fiscal year 2008. Additional documentation on account groupings and mapping will be prepared, and then provided and reviewed with the auditor during interim fieldwork.

### **Other Matters**

**Properties held for sale and loans receivable accounting.** We discovered that PDC was accounting for properties held for sale and loans receivable on the full accrual basis of accounting in the governmental funds, while disclosures of the accounting treatment in the footnotes were not clear as to the method used. This is contradictory to the modified accrual basis of accounting that is generally used for governmental funds. PDC's average loan terms are in excess of 15 years, and a rough estimate of the aging of its properties held for sale is likely in excess of 15 years as well.

After a consultation with the GASB, the conclusion was that although contradictory to the modified accrual basis of accounting - current GASB pronouncements did not envision governments issuing long-term loans receivable, or holding an inventory of properties held for sale that are not sold quickly after their acquisition. Therefore, current GAAP for governmental funds is to treat these two types of assets as financial resources on the full accrual basis of accounting. The balance sheet would record a reservation of fund balance in the amount of the ending balance of properties held for sale and loans receivable, which PDC reported correctly.

**Recommendation:** We recommended, and management agreed, to revise the footnote disclosures to be clear that the full accrual basis of accounting was being used for properties held for sale and long term loans receivable. In addition, GASB is currently working on a 'conceptual framework' project. We understand contradictions in the modified accrual basis of accounting like the two noted above will be evaluated during this project. We will monitor this project as it progresses, and encourage PDC accounting staff to do the same. There will be input solicited by GASB at various points in the project, and would welcome PDC staff's view on the accounting treatment for these issues and any others covered by this project and include that in any response we may choose to provide GASB.

*Management Response:* Management concurs and has revised footnote disclosures accordingly. PDC will continue to monitor the GASB project and provide input on this topic as appropriate through the exposure draft process. Note that staff sits on the Oregon Municipal Finance Officers Association Standards Review Board Committee and will therefore be well-positioned to participate in providing feedback to GASB.

**Property Held for Sale Write-Downs.** Current accounting guidance for valuation of properties held for sale is the lower of cost or market. We found that PDC has a formal policy on valuing properties held for sale that provides for comparisons with fair values

as assessed by the various Counties, among other procedures. From discussions with management, we found that there are several processes and certain other valuation techniques used by PDC that are not fully documented in the written policy. Without further documentation in the written policy, comparisons with County assessed fair values appears to be the main process. Often times there are significant differences between the book value and the County assessed values. However, in many instances, the County records do not reflect the current condition of properties. In addition, larger differences may exist between the book value and assessed value because PDC may pay a premium to obtain the property and/or incur additional costs to prepare the property for its re-developed or intended use.

**Recommendation:** We recommend that PDC include all the valuation procedures it uses in its written policy covering the initial, and periodic, valuation of properties held for sale. The written policy should identify possible events, conditions, or circumstances that may have a significant impact on a particular property's fair value, include all PDC's monitoring processes to determine if any such event or circumstance has occurred, and then specify the required procedures PDC utilizes to determine a new fair value including appraisals, comparatives, or other valuation methods. The policy should also provide guidance on determining which funds, programs, and accounts in the general ledger should be charged with any such valuation adjustments.

*Management Response:* Management concurs that additional documentation of the current property held for sale write-down procedure will be beneficial. Further, there has been a complete review of the detailed steps taken to determine when a property may be overvalued. All valuation decision-factors to be considered have been documented, including the process for evaluating comparable properties and citing examples of other situations or influences which may have bearing on a property's value. In addition, PDC is presently reviewing its policy and procedures for property appraisals, which potentially provide significant information on a property's carrying value.

**Deferred Compensation Plan.** Per the HR Benefits Specialist and the Benefits Specialist Legal Attorney, PDC is in a 'gray' area and the employee deferred compensation plan may not be in compliance with current Internal Revenue Service (IRS) regulations. In addition, our understanding is that in order to protect the assets within governmental deferred compensation plans from general creditors of the government, the plan must get updated for changes in the laws that allow for such protection.

**Recommendation:** We recommend that PDC work with its legal counsel to determine the current status of the deferred compensation plan, and take the steps necessary to update the plan to be in compliance with current IRS regulations as well as other laws that allow for protection of plan assets from general creditors of PDC.

*Management Response:* Management concurs and PDC has taken the steps necessary to update its deferred compensation plan. The Board of Commissioners adopted the necessary Plan documents at the December 12, 2007 board meeting, and these documents have been provided to our vendors.

**Conflict-of-Interest Policy.** While making inquiries of PDC staff during our audit fieldwork, we found PDC does not have a conflict-of-interest policy outside of evaluation teams, and current procedures may be inadequate to identify conflict of interest relationships. As an example, in our discussions with staff it came to our attention that PDC hired an individual who is on the Housing Authority of Portland Board and yet PDC has no requirement that such relationships be formally disclosed nor any other such related party relationships. Furthermore, we did not find evidence PDC provides training to staff on how to identify potential related party transactions and the action to be taken in such instances.

**Recommendation:** We recommend that PDC develop and implement a conflict-of-interest policy and related training.

*Management Response:* Management understands the auditor's comments and will confer with executive and legal staff to develop an appropriate conflict-of-interest policy and ensure that related training is provided to staff as needed.

**Interfund Loan.** PDC pools its cash and investments in various depository accounts held mostly within the City Treasury, and each fund reports its share of the total held in the pool. As a result, it is possible for one fund's share of the pool to become overdrawn without overdrawing the total amounts held in any one depository, and there is no built-in mechanism, like receipt of a notice of overdrafts, to alert management of a particular fund's overdraft position.

For both state legal and governmental accounting purposes, overdrawn cash balances represent inter-fund borrowings. According to ORS 294.460, one fund may make a loan to another fund if authorized in advance by official resolution or ordinance of the governing body. As an example, PDC made an inter-fund loan to the HCD Fund that was approved by Resolution #6493. During review of PDC's financial statements, the Other Federal Grants Fund ended with a deficit cash balance of \$77,498 as a result of federal grant expenditures not yet reimbursed by the City of Portland. This inter-fund loan was not approved by resolution by the PDC Board of Commissioners.

**Recommendation:** We recommend PDC review its monthly cash balance monitoring procedures and modify them as necessary to identify individual funds that are at risk for overdrawing their share of the pooled cash and investments. The revised monitoring procedures should include informing the Board of Commissioners of the need for an inter-fund borrowing timely enough to approve the loan via resolution in advance.

*Management Response:* Management agrees with the importance of monitoring cash balances on an individual fund basis. While PDC's cash and investments are required to be pooled within the City Treasury, balances are maintained by fund within PDC's financial system. In this instance, the timing of the calculation for indirect costs and the recording of late accruals prevented the accurate prediction of the billing to the City of Portland and their payment to PDC. More time and attention will be paid to timely receipt and recording of transactions to prevent negative balances and unauthorized interfund loans in the future.

**Budget Officer.** PDC maintains a five member commission composed of members appointed by the Major and subject to approval of the City Council. The commissioners act as the Budget Committee.

ORS 294.331 states that '*the governing body of each municipal corporation shall, unless otherwise provided by county or city charter, designate one person to serve as budget officer. The budget officer, or the person or department designated by charter and acting as budget officer, shall prepare or supervise the preparation of the budget document. The budget officer shall act under the direction of the executive officer of the municipal corporation, or where no executive officer exists, under the direction of the governing body.*' Per review of the by-laws of the Portland Development Commission, there is no appointed/elected budget officer nor did PDC appoint a budget officer through formal resolution.

**Recommendation:** We recommend PDC either appoint, through formal resolution, a budget officer on an annual basis or modify its charter to designate such a position.

*Management Response:* Management concurs with the auditor's comment. A resolution appointing the Chief Financial Officer as the PDC Budget Officer will be submitted to the Board of Commissioners at the next possible board meeting. In the longer term, management will consider the possible benefits of amending PDC's charter.

### **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 Audit Committee on these and other issues.



## **Responses to Moss Adams Management Communication on Internal Control Related Matters for Audit Committee**

The internal control deficiencies areas identified in the MossAdams' Communication as significant deficiencies and PDC staff responses are as follows below.

**Errors and inaccuracies in the Financial Statement draft.** We found that PDC does a good job of capturing the ongoing operations of the organization accurately in the general ledger. Entries are made initially in the general ledger on the budgetary basis of accounting to assist the organization in monitoring activity against the budget. We found internal controls over these initial entries to be effective.

The preparation of the Comprehensive Annual Financial Report (CAFR) requires many adjustments and reclassifications outside of the general ledger to convert the balances to the modified and full accrual bases of accounting. In addition, many accounts within the general ledger get added together to provide subtotals that appear in the CAFR. Therefore, a careful documentation and understanding of the account groupings, mapping, and adjusting and reclassifying entries needed outside of the general ledger is necessary to adequately support summary amounts reported in the various statements, schedules, and notes within the CAFR. Management provided us with a mapping of general ledger accounts during fieldwork to assist us in organizing our work papers and documentation of audit tests to provide subtotals that should appear in the CAFR.

After receipt of the CAFR draft, we found that a significant effort was necessary to revise the account groupings according to the initial mapping provided by management as discussed above to match amounts presented within the draft. During our process to resolve the variances, errors were found in the year-end entries posted by management to convert the budgetary basis numbers to the modified and full accrual basis numbers in the statements. Further, there were significant issues identified requiring reclassification in the statements - like negative cash balances of individual funds share of the pooled cash, negative revenues and negative expenditures reported in the change statements. Also, the statements contained a few errors in rows that were omitted that had reportable balances so subtotals and totals did not foot properly. And finally, there were revisions required to the footnotes we found to be necessary.

Our assessment of the above financial statement accounting and reporting related issues stem from three related issues. The first was from turnover

of key PDC finance staff members that had been responsible for the CAFR drafting in prior years who retired from PDC. The second was from other turnover among finance staff that prevented accounting staff from focusing on the CAFR drafting process. And finally, it was apparent the internal control procedures over the supervision and review of the CAFR drafting process to ensure the draft is accurate and complete were not effective given the staff capacity constraints noted above. This was the first year current accounting staff were solely responsible for the CAFR drafting. Ultimately, we are satisfied that PDC finance staff have the necessary experience and knowledge to take responsibility for the statements, and they were able to identify the adjustments that were necessary to correct the statements after we pointed out the areas that appeared outside of our expectations, and the accuracy of the draft statements initially presented for our review would have been markedly better had they had adequate time to devote to drafting and away from their normal day-to-day activities.

*Management Response:* Management concurs that understaffing contributed significantly to the financial statement accounting and reporting issues raised. A recruitment effort is underway for a senior-level accountant with extensive governmental accounting and CAFR experience. Scheduling adjustments may also be made to ensure that sufficient time is allotted to the preparation of the initial CAFR draft provided to the auditor for fiscal year 2008. Additional documentation on account groupings and mapping will be prepared, and then provided and reviewed with the auditor during interim fieldwork.

**Errors in the accounting for loan discount allowances.** In our testing of loans receivable, we reviewed an internal report analyzing quarterly variances in recorded loan discount allowance balances through March 2007 that documented the identification of an error in the calculation of discounts for loans in excess of 360 months. As a result, there was a sizeable adjustment that was recorded in the fourth quarter of the 2007 to correct for the error. We obtained from management an analysis of the corrected calculation as of the beginning of the year - and found that the discount related error totaled \$14,252,000 resulting in an overstatement of the net book value at June 30, 2006. Management then applied their accounting policies on the corrected net book value after the discounts for amounts that will not be collected based on historical percentages for incentive programs and bad debts. That adjustment resulted in an offsetting increase in the net book value of \$12,568,000. The net impact of these two calculations was an overstatement of the beginning net book values after discounts and uncollectible allowances of \$1,684,000, which was determined to be immaterial to the financial statements, and a prior period adjustment was not recorded. We concur with that decision. The internal controls were apparently insufficient during at least the prior year and through the third quarter of the 2007 fiscal year to catch the error in

the spreadsheet used to perform the discount calculation.

*Management Response:* Management concurs and will recommend a detailed periodic review and analysis of the loan allowance algorithm, underlying assumptions, and related systems making the calculation. Additionally, related documentation will be reviewed for clarity and updated as needed. Existing internal controls will also be examined and modified to better detect deviations from standard financial assistance products as they currently fit into the algorithm.

### **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 Audit Committee on these and other issues.

# PDC

PORTLAND DEVELOPMENT COMMISSION

## Resolution Number 6558

TITLE: ACCEPT AND APPROVE COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR 2006-2007 AS REQUIRED BY PORTLAND CITY CHARTER CHAPTER 15-104 AND PDC RESOLUTION NO. 6112.

Adopted by the Portland Development Commission on February 13, 2008.

PRESENT FOR VOTE	COMMISSIONERS	VOTE		
		Yea	Nay	Abstain
<input checked="" type="checkbox"/>	Mark Rosenbaum, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Sal Kadri	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Bertha Ferrán	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Charles Wilhoite	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	John Mohlis	<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.*

  
Renee A. Castilla, Recording Secretary

Date: March 12, 2008