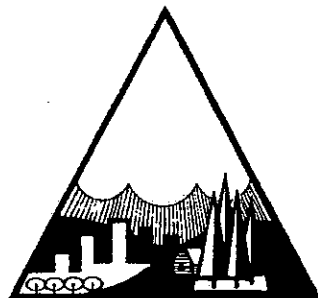


**AUDIT COMMENTS AND  
DISCLOSURE REQUIRED BY  
STATE REGULATIONS**





**PAULY, ROGERS AND CO., P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

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October 26, 2005

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## AUDITORS' COMMENTS AND DISCLOSURES

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Oregon Administrative Rules 162-10-000 through 162-16-000, the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments, and disclosures required in audit reports. Certain required disclosures, statements, and schedules are set forth in preceding pages of this report. Additional required comments and disclosures related to our audit of such statements and schedules are set forth as follows:

### REPORT ON INTERNAL ACCOUNTING CONTROL

We have audited the basic financial statements of the City of Tigard, Oregon, as of and for the year ended June 30, 2005, and have issued our report thereon dated October 26, 2005.

The management of the City of Tigard, Oregon, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of basic financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the basic financial statements of the City of Tigard, Oregon, for the year ended June 30, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a

## AUDITORS' COMMENTS AND DISCLOSURES (CONTINUED)

relatively low level the risk that errors and irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of management, the Mayor, City Council, and the State of Oregon, Secretary of State, Audits Division. However, this report is a matter of public record and its distribution is not limited.

### ACCOUNTING RECORDS

The City's accounting records were adequate for audit.

### BUDGET TRANSACTIONS

Expenditures were within the authorized appropriation levels for the year ended June 30, 2005.

### 2004-2005 and 2005-2006 BUDGETS

The budgets adopted by the City for the current year and ensuing fiscal year were reviewed during the audit. Except that one notice of the initial budget committee meeting for the 2005-06 budget was published four days prior to the meeting when Oregon Local Budget Law requires this publication to be no less than five days prior to the meeting, budget preparation and adoption procedures followed by the City appeared to be in compliance with the Oregon Local Budget Law.

### STATE HIGHWAY FUNDS

The City's compliance with requirements of Article IX, Section 3a of the Oregon Constitution and ORS 294 and 373 was reviewed and the City appears to have complied with the restrictions on the use of revenue from taxes on motor vehicle use and fuel.

### COLLATERAL SECURING BANK DEPOSITS

Based on our selective testing, collateral pledged by depositories appeared to be in conformity with the requirements of Oregon Law during the year. Each depository is required by ORS Chapter 295 to maintain securities having a value of not less than 25% of the face amount of the collateral certificate issued by the pool manager, for funds deposited in the depository in excess of the amounts insured by the Federal Deposit Insurance Corporation. Deposits in the State Local Government Investment Pool are not required to be collateralized.

## AUDITORS' COMMENTS AND DISCLOSURES (CONTINUED)

### INVESTMENTS

The City's investments for the year ending June 30, 2005 were reviewed and appeared to have been in compliance with the legal requirements pertaining to the investment of public funds contained in ORS 294.035.

### PUBLIC CONTRACTS AND PURCHASING

The City's procedures for awarding public contracts were reviewed and appeared to have been in compliance with ORS Chapter 279.

### INSURANCE AND FIDELITY BONDS

Details concerning insurance and fidelity bond coverage were reviewed during the audit. The coverage provided appears to have met legal requirements. We do not have the professional expertise to state whether the insurance coverage is adequate.

### STATUTORY BONDED DEBT LIMITATION

The City's bonded debt outstanding was well within the limitation established by Oregon Law.

### OUTSTANDING WARRANTS

The City did not have any outstanding endorsed warrants at June 30, 2005.

### PROGRAMS FUNDED FROM OUTSIDE SOURCES

We reviewed and tested, to the extent we considered necessary in the circumstances, transactions and reports relative to federal and state grant programs. The City appeared to have appropriate procedures for making expenditures on behalf of, and reporting for, such programs.

*Paul, Rogers and Co., P.C.*

