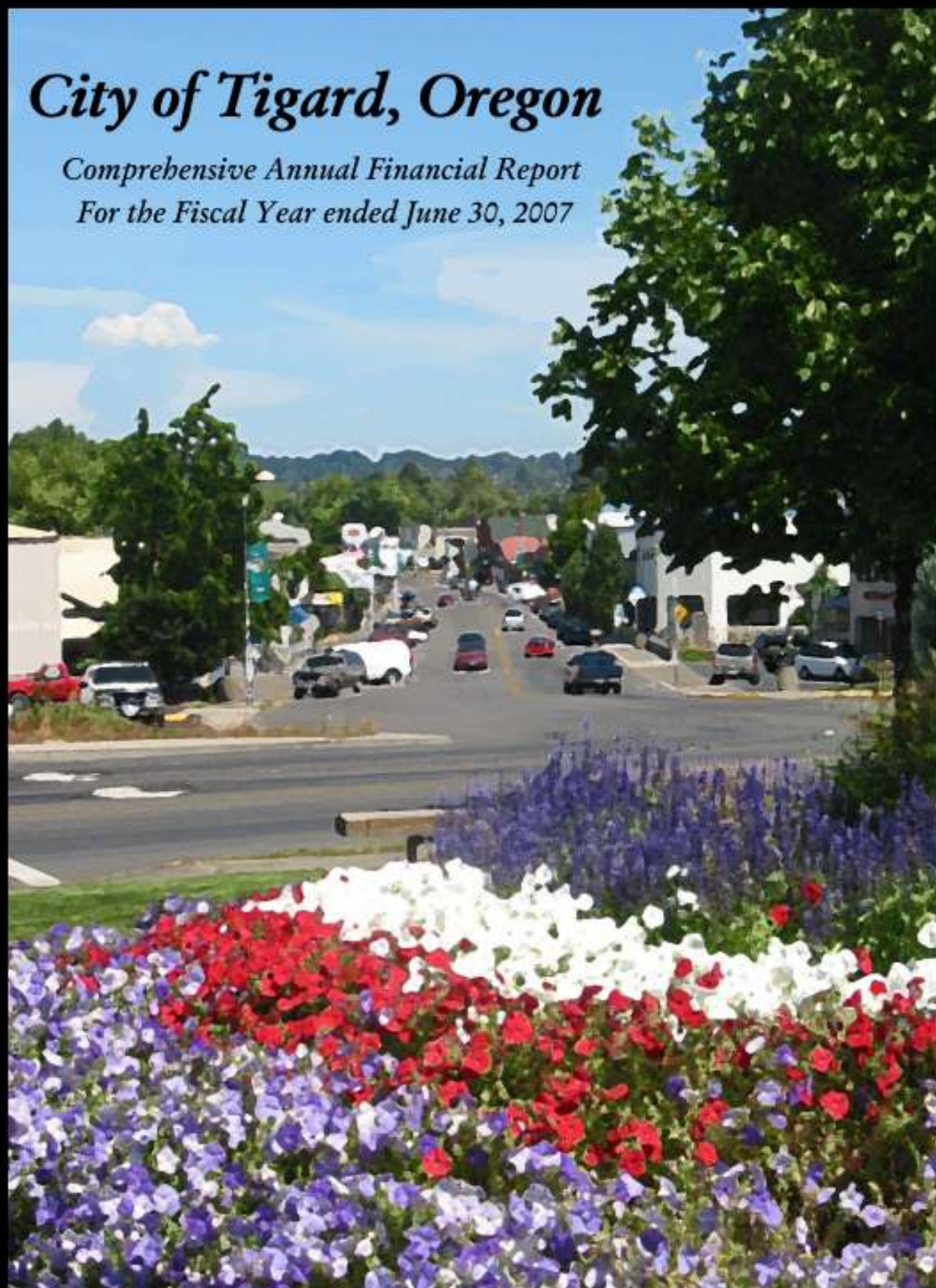


City of Tigard, Oregon

Comprehensive Annual Financial Report

For the Fiscal Year ended June 30, 2007



Comprehensive Annual Financial Report Cover Description/Narrative

On the Front Cover:

The front cover features the City of Tigard's historic Main Street. This area was designated as the Town Center for Tigard in Metro's 2040 Growth Concept (the blueprint for how the region will grow in the next few decades). Also, it is planned that one of the five stops in the proposed Washington County Commuter Rail will be near the intersection of Main Street and Commercial Street in downtown Tigard.

These were key factors in motivating citizen and business owners to come together and ask the City to prepare a revitalization plan for Main Street and surrounding neighborhoods. On May 16, 2006, voters overwhelmingly approved the creation of an urban renewal district, which will provide funds through tax increment financing for future projects as outlined in the Tigard Downtown Improvement Plan.

The Tigard Downtown Improvement Plan is a 20 to 30 year blueprint that will guide the development of Downtown Tigard into a vibrant, mixed-use urban village. Downtown will serve as the "green heart" of Tigard: a central gathering place for the community to live, work, and play, that will incorporate environmental ideas, such as providing open space, protecting Fanno Creek, and designing new streets that reduce storm water runoff.

The Downtown Plan and creation of the Urban Renewal District is the result of three years of hard work by a volunteer Task Force and the Tigard community. Because of the Downtown Improvement Plan citizen involvement process, Tigard was awarded the 2005 Good Governance Award from the League of Oregon Cities. The award recognizes exceptional city programs that unite citizens within a community.

CITY OF TIGARD, OREGON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2007

Prepared by:

City of Tigard – Financial and Information Services Department



City of Tigard, Oregon

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INTRODUCTORY SECTION





December 12, 2007

Citizens of Tigard
Honorable Mayor
Members of the City Council

It is our pleasure to submit to you the Comprehensive Annual Financial Report of the City of Tigard, Oregon, for the fiscal year ended June 30, 2007.

Oregon Revised Statutes (ORS) 297.425 requires that every municipal corporation publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements were audited by Grove, Mueller & Swank, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2007, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by the management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's basic financial statements for the fiscal year ended June 30, 2007, are fairly presented, in all material respects, in conformity with GAAP. The independent auditor's report is included in the Financial Section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Tigard is located in southeast Washington County, 15 minutes from downtown Portland, Oregon and along major highways, Interstate 5 and Highway 217. The City is included in the Metro urban growth boundary and Tigard's closest neighboring cities include Beaverton, Lake Oswego, Tualatin, Durham, Portland, and King City. A state highway, 99W, runs north and south through the eastern portion of the City and is a major transportation corridor leading to the City of Portland. There is also a major greenway called Fanno Creek that connects neighborhoods to the natural environment and several of the City's parks. The incorporated area of the City represents 11.71 square miles and has a population of 46,400. The City has experienced a steady growth since its incorporation in 1961. Population increases have varied from a yearly change of less than 1% to almost 50% since incorporation. It is projected that the City will have a population of over 47,000 by 2008. The City can extend its corporate limits by annexation which is permitted by state statute.

The City is governed by an elected Mayor and four council members who comprise the City Council. The City's Charter established the Mayor/Council form of government. Each member of the City Council is elected at-large to serve a four-year term. The Mayor presides at Council meetings and is elected at-large for a four-year term. The Mayor and Council provide community leadership, develop policies to guide the City in delivering services and achieving community goals, and encourage citizen awareness and involvement.

The City Council appoints a City Manager, who is the chief administrative officer of the City. The City Manager is responsible for ensuring Council policies are implemented using resources appropriated by the Council to achieve desired service results in the community.

The City provides a full range of municipal services. These services include police, municipal court, community planning and development, parks, library, capital improvement planning, administration and central services, street maintenance, water, and other general public works activities. The City owns and maintains the wastewater and storm drainage system within the City limits under an agreement with Clean Water Services. Fire protection is provided by Tualatin Valley Fire and Rescue.

The City maintains budgetary controls to ensure compliance with legal provisions in the annual appropriated budget adopted by the City Council. Activities of all funds are included in the annual adopted budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by program within each individual fund.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues meeting its responsibility for sound financial management.

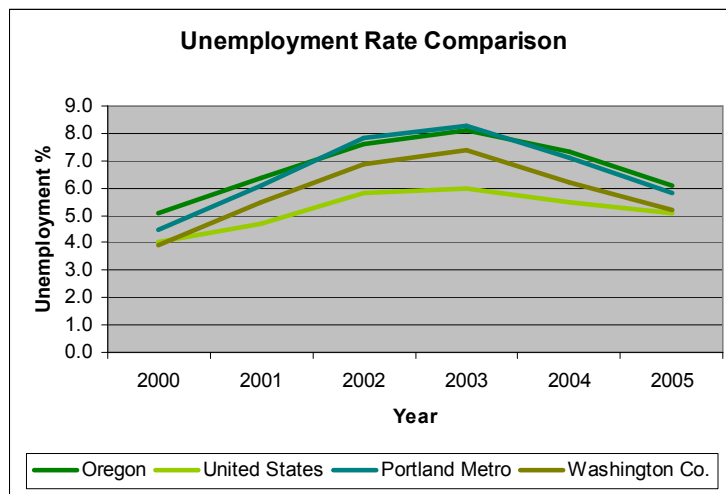
Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Tigard operates.

Local economy

The City's location in the Portland metropolitan area provides citizens with many diverse employment opportunities. Unemployment data is not collected specifically for Tigard, so information related to Washington County and the Portland Metro area is used to gauge the unemployment rate for the City.

The chart below shows a six year comparison of unemployment rates. The Portland Metro area and the State of Oregon have the highest rates over the six year time period, with Washington County and the U.S. lower. Washington County has leveled out to a rate consistent with the overall country in 2005, with Portland Metro and Oregon still a little higher. Rates for all areas during the time period peaked in 2003, and are currently in a state of decline.



Wholesale trade, retail trade, and the service industry all play a large role in Tigard's economy. Retail trade has the most establishments; and the retail and service industries employ the most people. The City has within its boundaries one of the largest shopping malls in the region, Washington Square. The mall has five major department stores and more than 140 specialty shops. In 2005, Washington Square completed an 80,000 sq. ft. expansion that added an additional 28 specialty stores and restaurants. This expansion increased the size of the mall to over 1.3 million square feet.

Summary of Economic Data

Number of Businesses, as of October 2007	3,515
Median Household Income (2000)	\$51,581
Primary Economic Sector (receipts/sales)	Wholesale Trade & Information
General Fund Permanent Tax Rate	\$2.51310 per \$1000 of assessed value
Total Assessed Value (2007)	\$4,344,665,155

**Ten Largest Employers
(as of March 2007)**

<u>Employer</u>	<u>Product or service</u>	<u>Employment</u>
Renaissance Credit Services	Financial Services	1,116
Tigard - Tualatin School District	Local school district	779
Macy's	Retail department store	704
Nordstrom	Retail department store	461
Oregon Public Employees Retirement	Public retirement system	347
Costco Wholesale Corporations	Box store	341
Providence Health System	Health care provider	303
City of Tigard	Local government	272
The Cheesecake Factory	Food service	250
Home Depot	Building/home supplies	241

Long-term financial planning

The City has developed a comprehensive long-term financial forecast every year since the 1980's. By forecasting and anticipating financial trends, the City can develop strategies to respond to emerging financial trends. The City forecasts operating fund revenues and expenditures over a five-year period. The forecast is adjusted as each year's final results are known and as budgets are prepared for the following year. In addition, the City also prepares a five-year Capital Improvement Program (CIP) that is also updated every year. The CIP is developed through a process separate from, but parallel to the budget process. The impact on future operating and maintenance costs are projected from the CIP and then incorporated in the long-term financial forecast.

Relevant financial policies

The City of Tigard has an important responsibility to its citizens to carefully account for public funds, manage municipal finances wisely, and plan adequate funding of services and facilities desired and needed by the public.

In support of this effort, the City has established a set of fiscal policies to ensure that the public's trust is upheld. With such fiscal policies, the City has established the framework under which it will conduct its fiscal affairs, ensuring that it is and will continue to be capable of funding and providing outstanding local government services.

The goals of Tigard's fiscal policies are:

- To enhance the City Council's policy-making ability by providing accurate information on program and operating costs.
- To assist sound management of the City government by providing accurate and timely information on current and anticipated financial conditions.
- To provide sound principles to guide important decisions of the Council and management which have significant fiscal impact.

- To set forth operational principles, which minimize the cost and financial risk of the City's government consistent with services, desired by the public.
- To employ revenue policies which prevent undue or unbalanced reliance on any one source, distribute the cost of municipal services fairly, and provide adequate funds to operate desired programs.
- To provide and maintain essential public facilities, utilities, infrastructure, and capital equipment.
- To protect and enhance the City's credit rating.
- To insure that all surplus cash is prudently invested in accordance with the investment policy adopted by the Council to protect City funds and realize a reasonable rate of return.

Major initiatives

The Tigard City Council meets at the beginning of each calendar year to establish goals. Council goals comprise high-priority tasks or programs that the City Council intends to complete or initiate during the year, though attainment of these goals may take several years. The goals are based on the City's Vision Task Force goals, departmental needs, and City Council priorities. In the goal setting meeting, the City Council reviews information and develops its annual and long-term goals. Council goals set the priorities for City government and are incorporated into departmental work plans. For 2007 Council established five goals for the City as follows:

1. Comprehensive Plan

- a. Updating the blueprint for the City
- b. Public input

In 2006, the goal was to revise Tigard's Comprehensive Plan. This plan sets the long term vision for the City, defines our character, and guides development and growth.

2. Continue to support implementation of the Downtown Plan

- a. Pursue funding for projects
- b. Prepare for business/developer recruitment
- c. Promote Tigard identity
- d. Promote community fabric in the downtown
 - i. Public Square
 - ii. Farmers Market
 - iii. Arts
 - iv. Culture
 - v. Business development

3. Aggressively pursue funding to correct traffic congestion within the City

- a. Seek funding for 99W improvements
- b. Support the I-5 Connector
- c. Support Highway 217 improvement funding

4. Improve Council communications with Tigard citizens

- a. Complete the City Active Neighborhood (CAN) program
- b. Citizen comment cards at City Hall and Council meetings
- c. Boards and Commissions
 - i. Develop a regular training program for new members
 - ii. Develop Boards and Commissions as “farm teams” for future Council candidates
 - iii. Councilors will periodically sit in on meetings
 - iv. Develop a tracking system for Board and Commission recommendations
- d. Council members periodically attend staff meetings

5. Increase Tigard’s involvement with Washington County, Metro, State, ODOT, Tri-Met, and Federal government

- a. Enhance Council communications and visibility
 - i. Work with Boards and Commissions
 - ii. Citizens
- b. Have Mayor focus more externally (State, Federal, etc.)
- c. Have Councilors focus more locally

With the passage of Tigard’s Urban Renewal ballot measure, the City established a permanent funding base to implement the Tigard Downtown Improvement Plan. The formation of the Urban Renewal District sends a clear message that the City is now financially committed to carrying out its Downtown Plan and will be in a position to support investments there.

Although it will take time for tax revenues to accumulate under the tax increment financing process, it is anticipated that enough funding will be available for \$22 million in public improvements for downtown. The implementation of all of the projects such as streets, parks, plazas, a public market, and performing arts center will take up to 20 years to accomplish but that doesn’t mean citizens won’t see improvements in the near future. Street improvements, a downtown streetscape design, and other improvements are already being designed and construction should begin within one year.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Tigard for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2006. This was the 22nd consecutive year that the City has received this esteemed award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget for fiscal year 2007-2008. This was the 20th consecutive year that the City has received this prestigious award. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report was made possible by the dedicated service of the staff of the Financial and Information Services and our auditors. Each member of the Department has our sincere appreciation for the contributions made in the preparation of this report. Special recognition should be given to Roger Dawes, Financial Operations Manager and Amanda Bewersdorff, Accounting Supervisor, for their work in preparing this document. Credit also must be given to the Mayor and City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Tigard's finances.

Respectfully submitted,



Craig Prosser
City Manager



Robert Sesnon
Director of Financial and
Information Services

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Tigard
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.



President

Executive Director

CITIZENS OF TIGARD

Mayor & City Council

City Manager

City Attorney

Community Services

Public Works

Development Services

Policy and Administration

Police

Library

Public Works

Community Development

Engineering

City Administration

Finance

Administration

Administration

Administration

Administration

Engineering Department

City Management

Finance Administration

Operations

Readers' Services

Parks & Grounds

Building Inspection

Street Lights & Signals

Human Resources

Financial Operations

Support Services

Technical Services

Sanitary Sewer

Current Planning

Risk Management

Administrative Services

Circulation

Storm Sewer

Long Range Planning

Information Technology

Street Maintenance

Fleet Maintenance

Property Management

Water

City of Tigard, Oregon

PRINCIPAL OFFICIALS AS OF JUNE 30, 2007

ELECTED OFFICIALS:

Name	Term Expires
Mayor Craig Dirksen	December 31, 2006
Councilor Nick Wilson*	December 31, 2006*
Councilor Sydney Sherwood	December 31, 2006
Councilor Sally Harding*	December 31, 2008
Councilor Tom Woodruff	December 31, 2008

*Councilor Sally Harding resigned as of April 24, 2007. Councilor Nick Wilson was appointed to fill this term until December 31, 2007. An election will be held November 7, 2007 to determine who will fill the remaining term to expire on December 31, 2008.

APPOINTED OFFICIALS:

Craig Prosser, City Manager

All may be reached at:

13125 SW Hall Boulevard
Tigard, OR 97223

LEGAL COUNSEL

Ramis, Crew, Corrigan & Bachrach
1727 NW Hoyt Street
Portland, OR 97209