



Annual Financial Report

City Center Development Agency

The City of Tigard's Urban Renewal Agency



For the fiscal year ended June 30, 2013

TIGARD CITY CENTER DEVELOPMENT AGENCY

(A Component Unit of the City of Tigard, Oregon)

ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2013

Prepared by:

City of Tigard – Financial and Information Services Department

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Tigard City Center Development Agency

Fiscal Year 2012–2013

CITY CENTER DEVELOPMENT AGENCY BUDGET COMMITTEE

Don Fisher
Melody Graeber
Cathy Hearn
Cameron James
Clifford Rone

John Cook
Gretchen Buehner
Marland Henderson
Jason Snider
Mark Woodard

CITY CENTER DEVELOPMENT AGENCY BOARD

John Cook, Chair

Gretchen Buehner
Mark Woodard

Jason Snider
Marland Henderson

EXECUTIVE DIRECTOR

Marty Wine

COMMUNITY DEVELOPMENT DIRECTOR

Kenny Asher

REDEVELOPMENT PROJECT MANAGER for DOWNTOWN

Sean Farrelly

FINANCE and INFORMATION SERVICES DIRECTOR

Toby LaFrance

CITY CENTER DEVELOPMENT AGENCY

City of Tigard | 13125 Hall Blvd. | Tigard, OR 97223 | 503-639-4171



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& Warwick, LLP**

Certified Public Accountants
& Consultants

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INDEPENDENT AUDITOR'S REPORT

November 13, 2013

City Council
City of Tigard
Tigard, Oregon

REPORT ON THE FINANCIAL STATEMENTS

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 City of Tigard, Oregon, (the City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

INDEPENDENT AUDITOR'S REPORT (Continued)

City Council
City of Tigard, Oregon
November 13, 2013

OPINIONS

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 City as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information for the General Fund and Gas Tax Fund, as listed in the Table of Contents as Required Supplementary Information, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT (Continued)

City Council
City of Tigard, Oregon
November 13, 2013

OTHER MATTERS (Continued)

Other Information

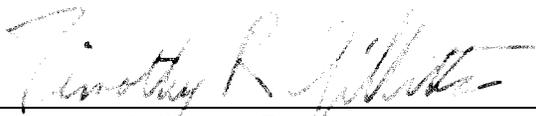
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other schedules, as listed in the Table of Contents as Other Supplementary Information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Other Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections, as listed in the Table of Contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY OREGON MINIMUM STANDARDS

In accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated November 13, 2013, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

TALBOT, KORVOLA & WARWICK, LLP
Certified Public Accountants

By 

Timothy R. Gillette, Partner

Management's Discussion and Analysis

As part of this Annual Financial Report, the Tigard City Center Development Agency (agency) offers readers this narrative overview and analysis of the financial activities of the agency for the fiscal year ended June 30, 2013. It focuses on significant financial issues, major financial activities, and resulting changes in financial position, as well as economic factors affecting the agency. This Management's Discussion and Analysis (MD&A) is based on currently known facts, decisions, and conditions that existed as of the date of the report.

Financial Highlights

- The assets of the agency exceeded its liabilities at the close of the most recent fiscal year by \$942,568. Of this amount, \$850,249 is restricted for the repayment of debt and \$200,462 is restricted for capital projects.
- The agency's net position increased \$144,069 over the course of the year, primarily due to property tax revenue exceeding expenses.
- In the fund financial statements, there were expenditures of \$668,866 for FY 2012-13. The payments in the Capital Projects Fund (\$383,710) were for development and design of the downtown area as well as consulting for potential real estate purchases. The payments in the Debt Service Fund (\$285,156) were for principal and interest payments to the City of Tigard.
- Also in the fund financial statements, the agency recognized \$298,119 in revenue from property taxes, miscellaneous revenue and interest earnings.

Overview of the Financial Statements

The following discussion and analysis is intended to serve as an introduction to the agency's basic financial statements. The agency's basic financial statements include three components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements.

Government-wide financial statements

Government-wide financial statements are designed to provide readers with a broad overview of the agency's finances, in a manner that is similar to a private-sector business.

The Statement of Net Position presents information on all of the agency's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the agency is improving or deteriorating.

The Statement of Activities presents information on how the agency's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in a future period, such as earned but uncollected property taxes.

The government-wide financial statements indicate that the functions of the agency are principally supported by property taxes and are considered governmental activities. The agency does not have business-type activities in which costs are covered through user fees or charges.

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 functions. The agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the agency are considered governmental funds.

Governmental funds are used to account for agency functions that are supported primarily by taxes and intergovernmental revenues. These are essentially the same functions that are reported as governmental activities in the government-wide financial statements. Unlike government-wide financial statements, governmental fund financial statements focus on the acquisition and use of spendable resources, as well as balances of available spendable resources at the end of the fiscal year. Such information may be useful in evaluating the agency's near-term requirements.

The agency maintains two separate governmental funds consisting of the Urban Renewal Debt Service Fund and the Urban Renewal Capital Projects Fund. The Capital Projects Fund functions as the agency's general operations fund. Information for each fund is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues and expenditures.

Notes to the basic Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. They are an integral part of the financial statements and should be read in conjunction with them.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the agency's financial position. In the case of the agency, assets increased as revenues, primarily property taxes, exceeded expenses and resulted in an increase in cash and receivables.

Tigard City Center Development Agency
(A Component Unit of the City of Tigard, Oregon)

Statement of Net Position

	June 30, Governmental Activities	
	2013	2012
ASSETS:		
Current and other assets	\$ 1,127,082	\$ 1,135,065
Receivables	14,198	15,546
Capital assets	<u>693,642</u>	<u>456,046</u>
Total assets	<u>1,834,922</u>	<u>1,606,657</u>
LIABILITIES:		
Other liabilities	90,569	7,776
Long-term debt	<u>801,785</u>	<u>800,382</u>
Total liabilities	<u>892,354</u>	<u>808,158</u>
NET POSITION:		
Investment in capital assets	(108,143)	(344,336)
Restricted for debt service	850,249	840,563
Restricted for capital projects	<u>200,462</u>	<u>302,272</u>
Total net position	<u>\$ 942,568</u>	<u>\$ 798,499</u>

Tigard City Center Development Agency
(A Component Unit of the City of Tigard, Oregon)

Governmental Activities

Change in Net Position

	For the Year Ended June 30,	
	2013	2012
REVENUES:		
General revenues:		
Property taxes	\$ 290,619	\$ 323,412
Miscellaneous	1,803	-
Interest earnings	<u>4,320</u>	<u>13,685</u>
Total revenues	296,742	337,097
EXPENSES:		
Capital projects	146,114	115,173
Interest on long-term debt	<u>6,559</u>	<u>-</u>
Total expenses	<u>152,673</u>	<u>115,173</u>
Change in net position	144,069	221,924
Net position - beginning	<u>798,499</u>	<u>576,575</u>
Net position - ending	<u>\$ 942,568</u>	<u>\$ 798,499</u>

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2013 the agency had invested \$693,642 in capital assets as reflected in the following table:

Capital Assets at June 30

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Land	\$ 256,046	\$ 256,046
Infrastructure	200,000	200,000
Construction in progress	242,607	-
Accumulated depreciation	(5,011)	-
Total	<u>\$ 693,642</u>	<u>\$ 456,046</u>

The agency invested in land right-of-way purchases in order to construct improvements, such as expanded sidewalks, signage and road design in the Downtown Tigard area per the Urban Renewal Plan. In addition, a parking lot was under construction at June 30, 2013.

Debt

Under the Intergovernmental Agreement (IGA) between the agency and the City of Tigard, loans from Tigard to the agency are repaid in ten equal payments on the principal starting ten years after the loan; however, interest payments start in the second year after the loan. In FY 2012-13, the agency took its fifth loan from Tigard General Fund in the amount of \$80,000, and also took a loan from the Tigard Sewer Fund in the amount of \$200,000. The Debt Service Fund elected to make an early repayment of \$278,597 during the year.

Budgetary Highlights

The Tigard City Center Development Agency budget consists of two funds: The Capital Projects Fund, which functions as the agency's general operations fund, and the Debt Service Fund. The Capital Projects Fund is supported by loans from the City of Tigard. These loans will be repaid with interest once the agency begins generating enough tax increment revenue. The focus of the fiscal year 2012-13 budget was parking lots, signage, continuation of the façade improvement program and real estate consulting. These projects are on-going and have been carried over into the 2013-14 budget. No budget adjustments were necessary during the year.

The budget for fiscal year 2013-14 includes continuation of the items listed above, along with funding for improvements to vacant properties that could house restaurants and targeted retail businesses on Main Street. In addition, various marketing and development opportunities will be pursued.

Economic Factors

The Tigard City Center Development Agency is a relatively young urban renewal agency. Approved by voters in 2006, the agency started at the beginning of the recession that has contributed to very slow growth in property values. Urban renewal agencies always start slow since revenue is generated by incremental increases in property values, and the timing of the recession is causing the agency to grow at an even slower pace than originally anticipated. Despite the slow growth, the agency has been able to leverage state, county and local funds to make major improvements to streets, bicycle and pedestrian paths in the district. In

addition, up to \$1.7 million of the parks levy approved by voters in November 2010 can be used to purchase property for parks and make improvements to that property in downtown.

In addition to funding from outside sources, the agency is approaching a funding base that will allow it to secure private financing. In fiscal year 2013-14 staff will pursue outside funding for any large projects that are planned in the area.

Requests for Information

This financial report is designed to provide a general overview of the agency's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Financial and Information Services Director, City of Tigard, 13125 SW Hall Blvd., Tigard, Oregon 97223.

Basic Financial Statements

Tigard City Center Development Agency
Statement of Net Position
June 30, 2013

	Governmental Activities
	<u> </u>
ASSETS:	
Current and other assets	\$ 1,127,082
Receivables	14,198
Capital assets	<u>693,642</u>
Total assets	<u>1,834,922</u>
LIABILITIES:	
Accounts payable and other accrued liabilities	90,569
Long-term obligations	<u>801,785</u>
Total liabilities	<u>892,354</u>
NET POSITION:	
Net investment in capital assets	(108,143)
Restricted for debt service	850,249
Restricted for capital projects	<u>200,462</u>
Total net position	<u>\$ 942,568</u>

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

Tigard City Center Development Agency
Statement of Activities
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues	Net (Expense)/Revenue and Change in Net Assets
		Charges for Services	Total Governmental Activities
Governmental activities:			
Community development	\$ 146,114	\$ -	\$ (146,114)
Interest on long-term debt	6,559	-	(6,559)
Total governmental activities	<u>\$ 152,673</u>	<u>\$ -</u>	<u>(152,673)</u>
General revenues:			
Property taxes			290,619
Miscellaneous			1,803
Interest earnings			<u>4,320</u>
Total general revenues			296,742
Change in net position			144,069
Net position - beginning			<u>798,499</u>
Net position - ending			<u>\$ 942,568</u>

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

Tigard City Center Development Agency
Balance Sheet - Governmental Funds
June 30, 2013

	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
ASSETS:			
Cash and investments	\$ 291,031	\$ 836,051	\$ 1,127,082
Property taxes receivable	-	14,117	14,117
Other receivables	-	81	81
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 291,031</u>	<u>\$ 850,249</u>	<u>\$ 1,141,280</u>
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts payable and accrued liabilities	\$ 90,569	\$ -	\$ 90,569
Unavailable revenues:			
Property taxes	-	12,738	12,738
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	90,569	12,738	103,307
FUND BALANCES:			
Restricted for debt service	-	837,511	837,511
Restricted for downtown urban renewal	200,462	-	200,462
Total fund balances	<u>200,462</u>	<u>837,511</u>	<u>1,037,973</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 291,031</u>	<u>\$ 850,249</u>	
	<u> </u>	<u> </u>	
			693,642
			12,738
			(801,785)
			<u> </u>
Net Position of Governmental Activities			<u>\$ 942,568</u>

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

Tigard City Center Development Agency
Statement of Revenues and Expenditures - Governmental Funds
Year Ended June 30, 2013

	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES:			
Taxes	\$ -	\$ 291,996	\$ 291,996
Miscellaneous	1,803	-	1,803
Interest earnings	<u>97</u>	<u>4,223</u>	<u>4,320</u>
Total revenues	1,900	296,219	298,119
EXPENDITURES:			
Capital projects	383,710	-	383,710
Debt service			
Principal	-	278,597	278,597
Interest	<u>-</u>	<u>6,559</u>	<u>6,559</u>
Total expenditures	<u>383,710</u>	<u>285,156</u>	<u>668,866</u>
Change in fund balance before other financing sources (uses):	(381,810)	11,063	(370,747)
Other financing sources (uses):			
Proceeds from borrowing	<u>280,000</u>	<u>-</u>	<u>280,000</u>
Change in fund balance	(101,810)	11,063	(90,747)
FUND BALANCE - BEGINNING	<u>302,272</u>	<u>826,448</u>	<u>1,128,720</u>
FUND BALANCE - ENDING	<u>\$ 200,462</u>	<u>\$ 837,511</u>	<u>\$ 1,037,973</u>
Net change in fund balances - total governmental funds			\$ (90,747)
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.			
Expenditures for capitalized assets			242,607
Depreciation reported in the government-wide statements			(5,011)
Property taxes that do not provide current financial resources			(1,377)
Net transactions reported in the government-wide statements as a liability			<u>(1,403)</u>
Change in Net Position of Governmental Activities			<u>\$ 144,069</u>

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

Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies:

Year Ended June 30, 2013

The financial statements of the Tigard City Center Development Agency (agency) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The Agency

The Tigard City Center Development Agency was approved on May 16, 2006 with plans to commence operations during fiscal year 2009 under the provisions of Oregon Revised Statutes, Chapter 457 (ORS 457), to provide improvements in the downtown area so that it will be economically healthy while maintaining its “uniquely Tigard” character.

The Tigard City Center Development Agency is a legally separate entity, which is governed by a board comprised of the City Council, as stipulated in the bylaws. The Council has the ability to impose its will on the agency as determined on the basis of budget adoption, taxing authority, and funding. The purpose of the agency is to undertake urban renewal projects and activities pursuant to the city’s downtown redevelopment plan. The financial results of the agency are reported herein as a debt service fund and a capital projects fund.

The agency is a blended component unit of the City of Tigard and its financial activities are included in the basic financial statements of the City. The agency boundaries include primarily the city’s central business district, general commercial district and professional commercial district.

Basic Financial Statements

The agency’s financial operations are presented at both the government-wide and fund financial levels. All activities of the agency are categorized as governmental activities.

Government-wide financial statements

The Statement of Net Position and the Statement of Activities display information about the agency as a whole. These statements include all the financial activities of the agency.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the agency’s governmental activities. Direct expenses are clearly identifiable with a specific function. All costs are supported by general revenues which include property taxes and interest earnings.

Fund financial statements

These statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary and fiduciary. Currently the agency has only governmental fund types.

Basis of Presentation

The financial transactions of the agency are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures.

1. Summary of Significant Accounting Policies Cont'd:

Professional standards set forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses or either fund category or the governmental and enterprise combined) for the determination of major funds. For purposes of presentation, each of the agency's funds is presented as a major fund.

The Urban Renewal Debt Service Fund accounts for the accumulation of resources and payments for long-term borrowings related to the Tigard City Center Development Agency.

The Urban Renewal Capital Projects Fund accounts for the acquisition and development of capital assets related to the Tigard City Center Development Agency and serves as the agency's general operations fund.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded, regardless of the measurement focus.

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the agency considers revenues to be available if they are collectible within 60 days of the end of the current fiscal period. The agency considers property taxes subject to accrual. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, payment on long-term borrowing is recorded only when payment is due.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliation is necessary to explain the adjustments needed to transform the fund-based financial statements into the government-wide presentation. These reconciliations are presented with the governmental fund statements.

Cash and Investments

The agency considers cash equivalents as all highly liquid debt instruments purchased with maturity of three months or less. Investments included in cash and cash equivalents are reported at fair value.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, pathways, street lights, etc.) are reported in the government-wide financial statements.

Capital assets are charged to expenditures as purchased or constructed in the governmental fund statements, and capitalized in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost.

1. Summary of Significant Accounting Policies Cont'd:

Capital assets are defined for the agency as assets with an initial, individual cost of \$5,000 or more, and an estimated useful life of greater than one year. Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Other costs for repairs and maintenance are expensed as incurred.

Depreciation on exhaustible assets is calculated on the straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings and improvements	25-40
Improvements other than buildings	10-20
Infrastructure	20-40

Fund Balance

In the fund financial statements, the fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Fund balance is reported as restricted when the constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. All of the agency's fund balance is restricted under state law.

Use of Estimates

In preparing the agency's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

2. Stewardship, Compliance, and Accountability:

Budgets

The agency's budget is prepared in accordance with Oregon local budget law. All annual appropriations lapse at fiscal year-end. During the month of February each year, the agency submits requests for appropriations to the executive director so that a budget may be prepared. In June, the proposed budget is presented to the agency's board of directors for approval. The board holds public hearings and a final budget must be prepared and adopted no later than June 30.

The adopted budget is prepared by fund and function. The legal level of budgetary control, (i.e., the level at which expenditures may not legally exceed appropriations) is the fund and function level.

3. Cash and Investments:

The agency's cash and investments reported on the Statement of Net Position and Balance Sheet represent the agency's share of the city's cash and investment pool. The agency's participation in the cash and investment pool is involuntary. Interest earnings from this pool are allocated to the agency on a monthly basis. At June 30, 2013 the agency's share of the city's cash and investment pool totaled \$1,127,082. Information about the pooled investments is included in the city's annual financial report and may be obtained by contacting the city's Finance Department at 13125 SW Hall Blvd., Tigard, OR 97223.

4. Risk Management:

As a component unit of the city, the agency is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the city carries commercial insurance. The city has established risk management programs for liability insurance coverage. The agency is covered under policies and programs insuring the city. There were no insurance claims attributable to the agency as of June 30, 2013.

5. Receivables and Payables:

Property taxes are levied and become a lien on July 1. Collection dates are November 15, February 15, and May 15 following the lien date. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

6. Capital Assets:

Capital assets include land purchase for the Burnham Street reconstruction, which includes wider sidewalks, landscaped medians, pedestrian crossings and on-street parking, and a parking lot on Burnham Street that was under construction at June 30, 2013.

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
Land	\$ 256,046	\$ -	\$ -	\$ 256,046
Construction in Progress	-	242,607	-	242,607
Infrastructure	200,000	-	-	200,000
Total cost	<u>456,046</u>	<u>242,607</u>	<u>-</u>	<u>698,653</u>
Depreciation				
Infrastructure	-	(5,011)	-	(5,011)
Capital assets, net	<u>\$ 456,046</u>	<u>\$ 237,596</u>	<u>\$ -</u>	<u>\$ 693,642</u>

7. Long-term Borrowing:

The agency received an additional amount of \$280,000 in the current year under an existing loan agreement from the City of Tigard for urban renewal projects approved in the Urban Renewal Plan. The interest rate calculated for the loan is based on the same average rate as that earned on other funds invested by the city, which is currently 0.6%. Interest-only payments are scheduled to be paid to the city prior to July 1, 2018. During the fiscal year ending June 30, 2019 the agency will begin making principal payments to the city. Payments are to be made as tax increment revenue or other funding sources are available. In no case shall the repayment timeline exceed the life of the agency. Under the intergovernmental agreement, the city may forgive or reduce the interest and/or principal due from the agency. The agency may also repay the debt early. In fiscal year 2012-2013 the agency elected to repay \$278,597 of outstanding principal.

7. Long Term Borrowing Cont'd:

**Tigard City Center Development Agency
Schedule of Long-Term Borrowing Transactions
For the fiscal year ended June 30, 2013**

	Borrowing Transactions			Interest	
	Outstanding June 30, 2012	Additions	Paid	Outstanding June 30, 2013	Paid
Loan from City of Tigard for urban renewal projects. Annual interest only payments starting June 30, 2012. Annual principal payments starting June 30, 2019.	\$ 800,382	\$ 280,000	\$ 278,597	\$ 801,785	\$ 6,559

Future requirements related to long-term borrowing
are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ -	\$ 4,410	\$ 4,410
2015	-	4,410	4,410
2016	-	4,410	4,410
2017	-	4,410	4,410
2018	-	4,410	4,410
2019-2023	14,855	22,049	36,904
2024-2028	370,422	17,900	388,322
2029-2033	387,875	7,051	394,926
2034	28,633	143	28,776
	<u>\$ 801,785</u>	<u>\$ 69,193</u>	<u>\$ 866,568</u>

Required Supplementary Information

**Tigard City Center Development Agency
Urban Renewal Agency Capital Projects Fund
Schedule of Revenues and Expenditures - Budget and Actual
For the fiscal year ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Interest earnings	\$ -	\$ -	\$ 97	\$ 97
Miscellaneous	-	-	1,803	1,803
Total revenues	-	-	1,900	1,900
EXPENDITURES:				
Capital projects	540,000	582,000	383,710	198,290
Change in fund balance before other financing sources	(540,000)	(582,000)	(381,810)	200,190
Other financing sources:				
Proceeds from borrowing	280,000	280,000	280,000	-
Change in fund balance	(260,000)	(302,000)	(101,810)	200,190
FUND BALANCE BEGINNING OF YEAR	260,000	302,000	302,272	272
FUND BALANCE END OF YEAR	\$ -	\$ -	\$200,462	\$ 200,462

Other Supplementary Information

**Tigard City Center Development Agency
Urban Renewal Agency Debt Service Fund
Schedule of Revenues and Expenditures - Budget and Actual
For the fiscal year ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Over</u>
				<u>(Under)</u>
REVENUES:				
Property taxes	\$ 330,000	\$ 330,000	\$ 291,996	\$ (38,004)
Interest earnings	<u>2,000</u>	<u>2,000</u>	<u>4,223</u>	<u>2,223</u>
Total revenues	332,000	332,000	296,219	(35,781)
EXPENDITURES:				
Debt service payment	450,000	450,000	285,156	164,844
Reserve for future expenditure	<u>202,000</u>	<u>202,000</u>	<u>-</u>	<u>202,000</u>
Change in fund balance	(320,000)	(320,000)	11,063	331,063
FUND BALANCE BEGINNING OF YEAR	<u>320,000</u>	<u>320,000</u>	<u>826,448</u>	<u>506,448</u>
FUND BALANCE END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 837,511</u>	<u>\$ 837,511</u>

**Tigard City Center Development Agency
Urban Renewal Agency Debt Service Fund
Schedule of Property Tax Transactions and Outstanding Balances
For the fiscal year ended June 30, 2013**

<u>Year of Levy</u>	<u>Property Taxes Receivable July 1, 2012</u>	<u>Levy as Extended by Assessor</u>	<u>Interest, Discounts and Adjustments</u>	<u>Turnovers</u>	<u>Property Taxes Receivable June 30, 2013</u>
2012-13	\$	\$ 300,940	\$ (7,308)	\$ (287,345)	\$ 6,287
2011-12	8,256	-	(2,353)	(2,295)	3,608
2010-11	4,870	-	(990)	(1,082)	2,798
2009-10	2,237	-	240	(1,118)	1,359
2008-09	183	-	38	(156)	65
	<u>\$ 15,546</u>	<u>\$ 300,940</u>	<u>\$ (10,373)</u>	<u>\$ (291,996)</u>	<u>\$ 14,117</u>

Levy as extended	\$ 300,940
Discounts	(10,373)
Revenue	290,567
Included as interest	1,429
Recorded as property tax revenue	<u>\$ 291,996</u>

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



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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

November 13, 2013

Audit Committee
City of Tigard
Tigard, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Tigard, Oregon, (the City) as of and for the year ended June 30, 2013, and have issued our report thereon dated November 13, 2013.

COMPLIANCE

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, 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.

We performed the procedures to the extent we considered necessary to address the required comments and disclosures, which included, but were not limited to the following:

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).

**INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS (Continued)**

Page 2

COMPLIANCE (Continued)

In connection with our testing, nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, except as follows:

- The City had funds in the Local Government Investment Pool (LGIP) at June 30, 2013, in excess of the limitation set forth by ORS 294.810.
- The City had an over expenditure by approximately \$270 in the Bancroft Debt Service Fund.

OAR 162-10-230 INTERNAL CONTROL

In planning and performing our audit of the financial statements we considered the City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

In a separate report dated November 13, 2013, we have issued a Letter of Recommendations based on an audit of the basic financial statements.

RESTRICTION ON USE

This report is intended solely for the information and use of the Audit Committee, City Council, management, Oregon Secretary of State Audits Division and others within the City, and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants