

# **TIGARD CITY CENTER DEVELOPMENT AGENCY**

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

## **ANNUAL FINANCIAL REPORT**

**For the fiscal year ended June 30, 2015**

**Prepared by:**

**City of Tigard – Financial and Information Services Department**



# City Center Development Agency

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# **Tigard City Center Development Agency**

Fiscal Year 2014–2015

## **CITY CENTER DEVELOPMENT AGENCY BUDGET COMMITTEE**

Don Fisher  
Melody Graeber  
Julie Plotz  
Bill Bigcraft  
Clifford Rone  
Timothy Esau, Alternate

Mayor John L. Cook  
Councilor Gretchen Buehner  
Councilor Marland Henderson  
Councilor Jason Snider  
Councilor Marc Woodard

## **CITY CENTER DEVELOPMENT AGENCY BOARD**

John L. Cook, Chair

Gretchen Buehner  
Marc 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



**Talbot, Korvola  
& Warwick, LLP**

Certified Public Accountants  
& Consultants

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## **INDEPENDENT AUDITOR'S REPORT**

Board Members  
Tigard City Center Development Agency  
(A component unit of the City of Tigard, Oregon)  
Tigard, Oregon

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Tigard City Center Development Agency (the Agency) a component unit of the City of Tigard, Oregon, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Agency'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)

Board Members  
Tigard City Center Development Agency  
(A component unit of the City of Tigard, Oregon)  
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### **OPINIONS**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency, as of June 30, 2015, and the respective changes in financial position 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The accompanying budgetary comparison information for the Urban Renewal Agency Capital Projects Fund, as listed in the Table of Contents as Required Supplementary Information, is not a required part of the basic financial statements and is presented for purposes of additional analysis, and 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. Such 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. This 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 procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Required Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### ***Other Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The other schedules, 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

**INDEPENDENT AUDITOR'S REPORT (Continued)**

Board Members  
Tigard City Center Development Agency  
(A component unit of the City of Tigard, Oregon)  
Page 3

**OTHER MATTERS (Continued)**

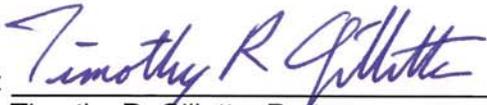
***Other Supplementary Information (Continued)***

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.

**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 February 23, 2016, on our consideration of the Agency'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**

By:   
\_\_\_\_\_  
Timothy R. Gillette, Partner

Lake Oswego, Oregon  
February 23, 2016

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## Management's Discussion and Analysis

As part of this Annual Financial Report, the Tigard City Center Development Agency (agency), a component unit of the City of Tigard, Oregon, offers readers this narrative overview and analysis of the financial activities of the agency for the fiscal year ended June 30, 2015. 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 \$1,409,994. Of this amount, \$410,877 is restricted for the repayment of debt.
- The agency's net position increased \$364,656 over the course of the year, primarily due to contributed capital assets from the City to CCDA.
- In the fund financial statements, there were total expenditures of \$2,044,075 for FY 2014-15. The payments in the Capital Projects Fund (\$1,770,924) 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 (\$273,151) were for principal and interest payments to the City of Tigard.
- Also in the fund financial statements, the agency recognized \$455,578 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 Statement of Net Position**

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
<b>ASSETS:</b>		
Cash and investments	\$ 949,001	\$ 835,967
Receivables	14,838	90,193
Capital assets	<u>2,651,801</u>	<u>949,750</u>
Total assets	<u>3,615,640</u>	<u>1,875,910</u>
<b>LIABILITIES:</b>		
Accounts payable and other accrued liabilities	98,468	25,777
Due within one year:		
Bank loan payable	130,000	-
Due within more than one year:		
Advances from City	807,178	804,795
Bank loan payable	<u>1,170,000</u>	<u>-</u>
Total liabilities	<u>2,205,646</u>	<u>830,572</u>
<b>NET POSITION:</b>		
Net investment in capital assets	999,117	144,955
Restricted for debt service	410,877	848,513
Restricted for capital projects	<u>-</u>	<u>51,870</u>
Total net position	<u>\$ 1,409,994</u>	<u>\$ 1,045,338</u>

**Tigard City Center Development Agency**  
**Change in Net Position**

	<u>For the Year Ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
REVENUES:		
General revenues:		
Property taxes	\$ 350,138	\$ 331,148
Intergovernmental revenue	149,872	100,000
Miscellaneous	78,262	869
Interest earnings	1,663	28,116
Total revenues	<u>579,935</u>	<u>460,133</u>
 EXPENSES:		
Community development	193,745	354,353
Interest on long-term debt	21,534	3,010
Total expenses	<u>215,279</u>	<u>357,363</u>
 Change in net position	364,656	102,770
Net position - beginning	1,045,338	942,568
Net position - ending	<u>\$ 1,409,994</u>	<u>\$ 1,045,338</u>

## Capital Assets and Debt Administration

### Capital Assets

As of June 30, 2015 the agency had invested \$2,651,801 in capital assets as reflected in the following table:

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Land	\$ 380,918	\$ 256,046
Infrastructure	1,810,021	444,712
Construction in progress	482,044	264,011
Accumulated depreciation	(21,182)	(15,019)
Total	<u>\$ 2,651,801</u>	<u>\$ 949,750</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. Additional information on the agency's capital assets can be found on page 16 of this report.

### 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 2014-15, the Agency took its seventh loan from Tigard General Fund in the amount of \$254,000. The Debt Service Fund elected to make an early repayment of \$251,617 during the year.

On September 2, 2014, the Agency borrowed \$1,300,000 from a financial bank to purchase property located in the downtown area. The first payment on the bank loan was for interest only and paid in March 2015. Payments of principal and interest are due in March and September annually until the final payment in September of 2019. Additional information on the agency's debt can be found on pages 17-18 of this report.

## **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 activity is supported by loans from the City of Tigard and a bank loan. The city loans will be repaid with interest once the agency begins generating enough tax increment revenue. The focus of the fiscal year 2014-15 budget was downtown façade improvements, property improvement for development, landscape architecture and real estate consulting. These projects are on-going and have been carried over into the 2015-16 budget. Two budget adjustments were necessary during the fiscal year, one to request \$32,000 of appropriations carry forward to complete two projects in the façade improvement program and a second to request \$1,330,000 for external financing for downtown redevelopment acquisition projects.

The budget for fiscal year 2015-16 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 an urban renewal agency approved by voters in 2006. The agency started at the beginning of the recession which has contributed to a slow growth in property values. Urban renewal agencies generally start slow since revenue is generated by incremental increases in property values, and with the timing of the recession, the agency has grown 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 to funding from outside sources, the agency is approaching a funding base that will allow it to secure private financing. In fiscal year 2015-16 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 Finance 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, 2015**

	<b>Governmental Activities</b>
<b>ASSETS:</b>	
Cash and investments	\$ 949,001
Receivables	14,838
Capital assets	2,651,801
Total assets	3,615,640
 <b>LIABILITIES:</b>	
Accounts payable and other accrued liabilities	98,468
Due within one year:	
Bank loan payable	130,000
Due within more than one year:	
Advances from City	807,178
Bank loan payable	1,170,000
Total liabilities	2,205,646
 <b>NET POSITION:</b>	
Net investment in capital assets	999,117
Restricted for debt service	410,877
Total net position	\$ 1,409,994

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

**Tigard City Center Development Agency**  
**Statement of Activities**  
**Year Ended June 30, 2015**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>	<b>Net (Expense)/Revenue and Change in Net Position</b>
		Operating Grants and Contributions	Total Governmental Activities
Governmental activities:			
Community development	\$ 193,745	\$ 149,872	\$ (43,873)
Interest on long-term debt	21,534	-	(21,534)
Total governmental activities	\$ 215,279	\$ 149,872	(65,407)
General revenues:			
Property taxes			350,138
Miscellaneous			78,262
Interest earnings			1,663
Total general revenues			430,063
Change in net position			364,656
Net position - beginning			1,045,338
Net position - ending			\$ 1,409,994

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

**Tigard City Center Development Agency**  
**Balance Sheet - Governmental Funds**  
**June 30, 2015**

	<b>Capital Projects</b>	<b>Debt Service</b>	<b>Total Governmental Funds</b>
<b>ASSETS:</b>			
Cash and investments	\$ 552,962	\$ 396,039	\$ 949,001
Property taxes receivable	-	14,838	14,838
Total assets	\$ 552,962	\$ 410,877	\$ 963,839
<b>LIABILITIES:</b>			
Accounts payable and accrued liabilities	\$ 98,468	-	\$ 98,468
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Unavailable revenues - property taxes	-	13,440	13,440
<b>FUND BALANCES:</b>			
Restricted for debt service	-	397,437	397,437
Restricted for capital projects	454,494	-	454,494
Total fund balances	454,494	397,437	851,931
Total liabilities, deferred inflows of resources and fund balances	\$ 552,962	\$ 410,877	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.			2,651,801
Long-term assets are not available to pay for current period expenditures and, herefore, are unearned in the funds - property taxes earned but not available			13,440
Long-term liabilities - not reported in the funds:			
Loan from City of Tigard, not due and payable in the current period			(807,178)
Loan from financial institution, not due and payable in the current period			(1,300,000)
Net Position of Governmental Activities			\$ 1,409,994

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, 2015**

	<b>Capital Projects</b>	<b>Debt Service</b>	<b>Total Governmental Funds</b>
<b>REVENUES:</b>			
Taxes	\$ -	\$ 350,653	\$ 350,653
Intergovernmental revenues	25,000	-	25,000
Miscellaneous	78,157	105	78,262
Interest earnings	-	1,663	1,663
Total revenues	103,157	352,421	455,578
<b>EXPENDITURES:</b>			
Capital projects	1,770,924	-	1,770,924
Debt service			
Principal	-	251,617	251,617
Interest	-	21,534	21,534
Total expenditures	1,770,924	273,151	2,044,075
Change in fund balance before other financing sources (uses)	(1,667,767)	79,270	(1,588,497)
Other financing sources (uses):			
Transfers in	516,391	-	516,391
Transfers out	-	(516,391)	(516,391)
Proceeds from borrowing	1,300,000	-	1,300,000
Resources provided by City	254,000	-	254,000
Total other financing sources (uses)	2,070,391	(516,391)	1,554,000
Change in fund balance	402,624	(437,121)	(34,497)
FUND BALANCE - BEGINNING	51,870	834,558	886,428
FUND BALANCE - ENDING	\$ 454,494	\$ 397,437	\$ 851,931
Net change in fund balances - total governmental funds			\$ (34,497)
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			1,583,342
Contributed capital			124,872
Depreciation reported in the government-wide statements			(6,163)
Property taxes that do not provide current financial resources			(515)
Long-term liabilities not reported in the funds			(1,554,000)
Principal payments expensed on the fund financial statements			251,617
Change in Net Position of Governmental Activities			\$ 364,656

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

## **Notes to Basic Financial Statements**



## 1. Summary of Significant Accounting Policies:

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, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues and expenditures.

## 1. Summary of Significant Accounting Policies Cont'd:

GASB Statement No. 34 sets forth criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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, 2015 the agency's share of the city's cash and investment pool totaled \$949,001. 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, 2015.

#### 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 purchases for the Burnham Street reconstruction, which includes wider sidewalks, landscaped medians, pedestrian crossings, Main Street gateway improvements and a parking lot on Burnham Street.

	<b>Balance</b>				<b>Balance</b>
	<b>June 30, 2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>June 30, 2015</b>
Land	\$ 256,046	\$ 124,872	\$ -	\$ -	\$ 380,918
Construction in Progress	264,011	1,583,342	-	(1,365,309)	482,044
Infrastructure	444,712	-	-	1,365,309	1,810,021
Total cost	<u>964,769</u>	<u>1,708,214</u>	<u>-</u>	<u>-</u>	<u>2,672,983</u>
Depreciation					
Infrastructure	<u>(15,019)</u>	<u>(6,163)</u>	<u>-</u>	<u>-</u>	<u>(21,182)</u>
Capital assets, net	<u>\$ 949,750</u>	<u>\$ 1,702,051</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,651,801</u>

#### 7. Leased Property

In connection with acquiring property and a building in the downtown area during fiscal year 2015, the agency assumed a lease agreement as the lessor that extends through July 31, 2018. The lease has the option of two additional extensions of three years each. The property and building are recorded at \$1,360,929. Minimum future rental income under the lease agreement is as follows:

<u>Year ending June 30</u>	
2016	\$ 86,400
2017	86,400
2018	86,400
2019	<u>7,200</u>
Total minimum payments	<u>\$ 266,400</u>

## 8. Long-term Borrowing:

The agency received an additional amount of \$254,000 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 0.50%. Interest-only payments are scheduled to be paid to the city prior to July 1, 2016. During the fiscal year ending June 30, 2025 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 2014-2015 the agency elected to repay \$251,617 of outstanding principal.

On September 2, 2014, the City borrowed \$1,300,000 at 3.00% from a financial institution to finance a property purchase within the City Center Urban Renewal Area. On the same date the city and the agency entered into an Intergovernmental Agreement to Make Financing Payments (IGA). This agreement states the agency will make the payments on the bank loan to the financial institution. The IGA constitutes indebtedness of the agency in the amount of the financing or \$1,300,000. Per the IGA, the agency is obligated to make the debt service payments from the tax increment revenues. Pursuant to ORS 287A.310, the agency pledges the tax increment revenues to pay the financing payments or debt service. On September 5, 2014, the agency used the proceeds from the bank loan to purchase property located at 9110 SW Burnham Street near downtown Tigard. The Agency has assumed a lease agreement for the property as the lessor that extends through July 31, 2018 with the option of two additional extensions of three years each. See Note 7 for further information on the lease. As of June 30, 2015, the full amount of the bank loan was outstanding.

Future principal and interest payments on the bank loan and the city loans are as follows:

<u>Outstanding Loans</u>	<u>Borrowing Transactions</u>			<u>Interest</u>	
	<u>Outstanding June 30, 2014</u>	<u>Additions</u>	<u>Paid</u>	<u>Outstanding June 30, 2015</u>	<u>Paid</u>
Loans from City of Tigard for urban renewal projects:					
Loan #4 June 30, 2012	163,795	-	(163,795)	-	983
Loan #5 June 30, 2013	200,000	-	(62,353)	137,647	1,000
Loan #5 June 30, 2013	80,000	-	(25,469)	54,531	400
Loan #6 June 30, 2014	361,000	-	-	361,000	-
Loan #7 June 30, 2015	-	254,000	-	254,000	-
Bank loan payable	-	1,300,000	-	1,300,000	19,151
<b>Total</b>	<b>\$ 804,795</b>	<b>\$ 1,554,000</b>	<b>\$ (251,617)</b>	<b>\$ 2,107,178</b>	<b>\$ 21,534</b>

## 8. Long Term Borrowing Cont'd:

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

Fiscal Year Ending June 30	Loans from the City		Bank Loan		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ -	\$ 2,910	\$ 130,000	\$ 36,799	\$ 130,000	\$ 39,709
2017	-	4,180	130,000	32,842	130,000	37,022
2018	-	4,180	130,000	28,980	130,000	33,160
2019	-	4,180	130,000	25,118	130,000	29,298
2020	-	4,180	780,000	11,681	780,000	15,861
2021-2025	18,789	20,901	-	-	18,789	20,901
2026-2030	373,518	16,823	-	-	373,518	16,823
2031-2035	388,897	6,527	-	-	388,897	6,527
2036	25,974	130	-	-	25,974	130
	<u>\$ 807,178</u>	<u>\$ 64,011</u>	<u>\$ 1,300,000</u>	<u>\$ 135,420</u>	<u>\$ 2,107,178</u>	<u>\$ 199,431</u>

## 9. Subsequent Events:

On November 12, 2015 the Agency sold three contiguous properties to a private developer in the amount of \$1,650,000 for residential development. The Agency entered into a Development and Disposition Agreement with the private developer for an urban renewal project.

On November 24, 2015 the City transferred three property lots in the downtown area to the Agency. These properties were acquired by the City of Tigard on July 7, 2015 for approximately \$525,000. Per the Purchase and Sale Agreement between the City and the Agency, the purchase price for these properties is \$515,000 (representing the original purchase price for the property paid by the city) or the amount established by an independent MAI appraisal, whichever is greater, with \$1.00 was due at closing, and the balance due on June 30, 2017. In addition, the city has the right to repurchase the properties any time prior to the Agency paying the full amount of the purchase price.

Related to these three properties, the city has entered into a consent judgment with the State of Oregon Department of Environmental Quality (DEQ) to perform certain pollution remediation activities only if the city chooses to begin on-site construction. As of year-end the city did not have an obligation to perform any pollution remediation with respect to these properties.

## **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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental revenue	\$ 254,000	\$ 254,000	\$ 25,000	\$ (229,000)
Rental income	-	-	78,157	78,157
Total revenues	254,000	254,000	103,157	(150,843)
<b>EXPENDITURES:</b>				
Capital projects	929,000	2,291,000	1,770,924	520,076
Change in fund balance before other financing sources	(675,000)	(2,037,000)	(1,667,767)	369,233
Other financing sources:				
Transfers in	675,000	675,000	516,391	(158,609)
Debt proceeds	-	1,330,000	1,554,000	224,000
Total other financing sources	675,000	2,005,000	2,070,391	65,391
Change in fund balance	-	(32,000)	402,624	434,624
FUND BALANCE BEGINNING OF YEAR	-	32,000	51,870	19,870
FUND BALANCE END OF YEAR	\$ -	\$ -	\$ 454,494	\$ 454,494

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## **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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Property taxes	\$ 351,139	\$ 351,139	\$ 350,653	\$ (486)
Rental income	84,000	84,000	-	(84,000)
Interest earnings	1,000	1,000	1,663	663
Miscellaneous revenues	-	-	105	105
Total revenues	<u>436,139</u>	<u>436,139</u>	<u>352,421</u>	<u>(83,718)</u>
<b>EXPENDITURES:</b>				
*Debt service:				
Principal	455,000	455,000	251,617	(203,383)
Interest	-	-	21,534	21,534
Reserve for future expenditure	<u>95,639</u>	<u>95,639</u>	<u>-</u>	<u>(95,639)</u>
Total expenditures	<u>550,639</u>	<u>550,639</u>	<u>273,151</u>	<u>(277,488)</u>
Change in fund balance	(114,500)	(114,500)	79,270	193,770
Other financing sources (uses):				
Transfers out	<u>(675,000)</u>	<u>(675,000)</u>	<u>(516,391)</u>	<u>158,609</u>
Change in fund balance	(789,500)	(789,500)	(437,121)	352,379
FUND BALANCE BEGINNING OF YEAR	<u>789,500</u>	<u>789,500</u>	<u>834,558</u>	<u>45,058</u>
FUND BALANCE END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 397,437</u>	<u>\$ 397,437</u>

\* Budget appropriation for the Urban Renewal Agency is made at the debt service program level.

**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, 2015**

Year of Levy	Property Taxes Receivable June 30, 2014	Levy as Extended by Assessor	Interest, Discounts and Adjustments	Turnovers	Property Taxes Receivable June 30, 2015
2014-15	\$ -	\$ 360,196	\$ (9,790)	\$ (344,332)	\$ 6,074
2013-14	6,747	-	96	(3,751)	3,092
2012-13	3,040	-	(39)	(961)	2,040
2011-12	2,506	-	(102)	(1,009)	1,395
2010-11	1,827	-	(254)	(355)	1,218
2009-10	1,041	-	8	(90)	959
2008-09	93	-	14	(47)	60
	<u>\$ 15,254</u>	<u>\$ 360,196</u>	<u>\$ (10,067)</u>	<u>\$ (350,545)</u>	<u>\$ 14,838</u>

Levy as extended	\$ 360,196
Discounts	<u>(10,067)</u>
Revenue	350,129
Included as interest	<u>524</u>
Recorded as property tax revenue	<u>\$ 350,653</u>

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



**Talbot, Korvola  
& Warwick, LLP**

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

Board Members  
Tigard City Center Development Agency  
(A component unit of the City of Tigard, Oregon)  
Tigard, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities and each major fund of the Tigard City Center Development Agency (the Agency), a component unit of the City of Tigard, Oregon for the year ended June 30, 2015, and have issued our report thereon dated February 23, 2016.

### COMPLIANCE

As part of obtaining reasonable assurance about whether the Agency'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 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.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).

In connection with our testing, nothing came to our attention that caused us to believe the Agency 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*.

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

Page 2

**OAR 162-10-0230 INTERNAL CONTROL**

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

**RESTRICTIONS ON USE**

This report is intended solely for the information and use of the Board Members, Oregon Secretary of State Audits Division, and management and is not intended to be and should not be used by anyone other than these specified parties.

*Talbot, Korwala & Warwick LLP*

Lake Oswego, Oregon  
February 23, 2016

