



City Center Development Agency

The City of Tigard's Urban Renewal Agency

Annual Financial Report | For the fiscal year ended June 30, 2014



TIGARD CITY CENTER DEVELOPMENT AGENCY

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

ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2014

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 2013–2014

CITY CENTER DEVELOPMENT AGENCY BUDGET COMMITTEE

Don Fisher
Melody Graeber
Melanie Boekee
Cameron James
Clifford Rone

John L. Cook
Gretchen Buehner
Marland Henderson
Jason Snider
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

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& Warwick, LLP

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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, 2014, 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, 2014, 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 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 Required Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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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OTHER MATTERS (Continued)

Other 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, 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.

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 December 16, 2014, 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
December 16, 2014

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, 2014. 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 \$1,045,338. Of this amount, \$848,513 is restricted for the repayment of debt and \$51,870 is restricted for capital projects.
- The agency's net position increased \$102,770 over the course of the year, primarily due to property tax revenue exceeding expenses.
- In the fund financial statements, there were expenditures of \$971,461 for FY 2013-14. The payments in the Capital Projects Fund (\$610,461) 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 (\$361,000) were for principal and interest payments to the City of Tigard.
- Also in the fund financial statements, the agency recognized \$458,916 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)
Governmental Activities
Statement of Net Position

	<u>June 30,</u>	
	<u>2014</u>	<u>2013</u>
ASSETS:		
Cash and investments	\$ 835,967	\$ 1,127,082
Receivables	90,193	14,198
Capital assets	<u>949,750</u>	<u>693,642</u>
Total assets	<u>1,875,910</u>	<u>1,834,922</u>
LIABILITIES:		
Other liabilities	25,777	90,569
Long-term debt	<u>804,795</u>	<u>801,785</u>
Total liabilities	<u>830,572</u>	<u>892,354</u>
NET POSITION:		
Investment in capital assets	144,955	(108,143)
Restricted for debt service	848,513	850,249
Restricted for capital projects	<u>51,870</u>	<u>200,462</u>
Total net position	<u>\$ 1,045,338</u>	<u>\$ 942,568</u>

Tigard City Center Development Agency
(A Component Unit of the City of Tigard, Oregon)
Governmental Activities
Change in Net Position

	<u>For the Year Ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
REVENUES:		
General revenues:		
Property taxes	\$ 331,148	\$ 290,619
Intergovernmental revenue	100,000	-
Miscellaneous	869	1,803
Interest earnings	28,116	4,320
Total revenues	<u>460,133</u>	<u>296,742</u>
EXPENSES:		
Capital projects	354,353	146,114
Interest on long-term debt	3,010	6,559
Total expenses	<u>357,363</u>	<u>152,673</u>
Change in net position	102,770	144,069
Net position - beginning	942,568	798,499
Net position - ending	<u>\$ 1,045,338</u>	<u>\$ 942,568</u>

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2014 the agency had invested \$949,750 in capital assets as reflected in the following table:

Capital Assets at June 30

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Land	\$ 256,046	\$ 256,046
Infrastructure	444,712	200,000
Construction in progress	264,011	242,607
Accumulated depreciation	<u>(15,019)</u>	<u>(5,011)</u>
Total	<u>\$ 949,750</u>	<u>\$ 693,642</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 pages 16-18 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 2013-14, the agency took its sixth loan from Tigard General Fund in the amount of \$361,000. The Debt Service Fund elected to make an early repayment of \$357,990 during the year. Additional information on the agency's debt can be found on pages 18-19 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 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 2013-14 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 2014-15 budget. One budget adjustment was necessary during the year to recognize receipt of a \$100,000 construction excise tax grant used to fund a pre-development feasibility study for the downtown area.

The budget for fiscal year 2014-15 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 2014-15 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, 2014

	Governmental Activities
ASSETS:	
Cash and investments	\$ 835,967
Receivables	90,193
Capital assets	<u>949,750</u>
Total assets	<u>1,875,910</u>
LIABILITIES:	
Accounts payable and other accrued liabilities	25,777
Long-term obligations	<u>804,795</u>
Total liabilities	<u>830,572</u>
NET POSITION:	
Net investment in capital assets	144,955
Restricted for debt service	848,513
Restricted for capital projects	<u>51,870</u>
Total net position	<u><u>\$ 1,045,338</u></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, 2014

Functions/Programs	Expenses	Program Revenues	Net (Expense)/Revenue and Change in Net Position
		Operating Grants and Contributions	Total Governmental Activities
Governmental activities:			
Community development	\$ 354,353	\$ 100,000	\$ (254,353)
Interest on long-term debt	3,010	-	(3,010)
Total governmental activities	<u>\$ 357,363</u>	<u>\$ 100,000</u>	<u>(257,363)</u>
	General revenues:		
	Property taxes		331,148
	Miscellaneous		869
	Interest earnings		<u>28,116</u>
	Total general revenues		360,133
	Change in net position		102,770
	Net position - beginning		<u>942,568</u>
	Net position - ending		<u>\$ 1,045,338</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, 2014

	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES:			
Taxes	\$ -	\$ 329,931	\$ 329,931
Intergovernmental revenues	100,000	-	100,000
Miscellaneous	869	-	869
Interest earnings	-	28,116	28,116
	<hr/>	<hr/>	<hr/>
Total revenues	100,869	358,047	458,916
EXPENDITURES:			
Capital projects	610,461	-	610,461
Debt service			
Principal	-	357,990	357,990
Interest	-	3,010	3,010
	<hr/>	<hr/>	<hr/>
Total expenditures	610,461	361,000	971,461
Change in fund balance before other financing sources:	(509,592)	(2,953)	(512,545)
Other financing sources:			
Proceeds from borrowing	361,000	-	361,000
	<hr/>	<hr/>	<hr/>
Change in fund balance	(148,592)	(2,953)	(151,545)
FUND BALANCE - BEGINNING	<hr/>	<hr/>	<hr/>
	200,462	837,511	1,037,973
FUND BALANCE - ENDING	<hr/>	<hr/>	<hr/>
	\$ 51,870	\$ 834,558	\$ 886,428
Net change in fund balances - total governmental funds			\$ (151,545)
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			266,116
Depreciation reported in the government-wide statements			(10,008)
Property taxes that do not provide current financial resources			1,217
Long-term liabilities not reported in the funds			(361,000)
Principal payments expensed on the fund financial statements			<hr/>
			357,990
Change in Net Position of Governmental Activities			<hr/>
			\$ 102,770

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, 2014

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 equity, revenues and expenditures.

1. Summary of Significant Accounting Policies Cont'd:

Professional standards set forth minimum 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, 2014 the agency's share of the city's cash and investment pool totaled \$835,967. 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, 2014.

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.

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2014</u>
Land	\$ 256,046	\$ -	\$ -	\$ -	\$ 256,046
Construction in Progress	242,607	266,116	-	(244,712)	264,011
Infrastructure	200,000	-	-	244,712	444,712
Total cost	<u>698,653</u>	<u>266,116</u>	<u>-</u>	<u>-</u>	<u>964,769</u>
Depreciation					
Infrastructure	(5,011)	(10,008)	-	-	(15,019)
Capital assets, net	<u>\$ 693,642</u>	<u>\$ 256,108</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 949,750</u>

7. Long-term Borrowing:

The agency received an additional amount of \$361,000 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 0.54%. Interest-only payments are scheduled to be paid to the city prior to July 1, 2016. During the fiscal year ending June 30, 2024 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 2013-2014 the agency elected to repay \$357,990 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, 2014

	Borrowing Transactions			Interest	
	Outstanding June 30, 2013	Additions	Paid	Outstanding June 30, 2014	Paid
Loan from City of Tigard for urban renewal projects					
Loan #3 June 30, 2011	\$ 151,941	\$ -	\$ (151,941)	\$ -	\$ 760
Loan #4 June 30, 2012	369,844	-	(206,049)	163,795	2,250
Loan #5 June 30, 2013	280,000	-	-	280,000	-
Loan #6 June 30, 2014	-	361,000	-	361,000	-
Total	<u>\$ 801,785</u>	<u>\$ 361,000</u>	<u>\$ (357,990)</u>	<u>\$ 804,795</u>	<u>\$ 3,010</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ -	\$ 2,383	\$ 2,383
2016	-	4,332	4,332
2017	-	4,332	4,332
2018	-	4,332	4,332
2019	-	4,332	4,332
2020-2024	15,942	21,661	37,603
2025-2029	361,483	17,693	379,176
2030-2034	390,389	7,093	397,482
2035	36,981	200	37,181
	<u>\$ 804,795</u>	<u>\$ 66,358</u>	<u>\$ 871,153</u>

8. Subsequent events:

On September 2, 2014, the Agency borrowed \$1.3 million from US Bank to buy property located in the downtown area. On September 5, 2014 the Agency purchased the property located at 9110 SW Burnham Street in Tigard. The Agency has assumed a lease agreement as the lessor that extends through July 31, 2018 with the option of two additional extensions of three years each.

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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance Over (Under)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental revenue	\$ -	\$ 100,000	\$ 100,000	\$ -
Miscellaneous	-	-	869	869
Total revenues	-	100,000	100,869	869
EXPENDITURES:				
Capital projects	581,000	681,000	610,461	70,539
Change in fund balance before other financing sources	(581,000)	(581,000)	(509,592)	71,408
Other financing sources:				
Proceeds from borrowing	361,000	361,000	361,000	-
Change in fund balance	(220,000)	(220,000)	(148,592)	71,408
FUND BALANCE BEGINNING OF YEAR	220,000	220,000	200,462	(19,538)
FUND BALANCE END OF YEAR	\$ -	\$ -	\$ 51,870	\$ 51,870

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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property taxes	\$ 300,940	\$ 300,940	\$ 329,931	\$ 28,991
Interest earnings	-	-	28,116	28,116
Total revenues	300,940	300,940	358,047	57,107
EXPENDITURES:				
Debt service payment	361,000	361,000	361,000	-
Reserve for future expenditure	666,388	666,388	-	666,388
Change in fund balance	(726,448)	(726,448)	(2,953)	723,495
FUND BALANCE BEGINNING OF YEAR	726,448	726,448	837,511	111,063
FUND BALANCE END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 834,558</u>	<u>\$ 834,558</u>

Urban Renewal Agency Debt Service Fund
Schedule of Property Tax Transactions and Outstanding Balances
For the fiscal year ended June 30, 2014

<u>Year of Levy</u>	<u>Property Taxes Receivable June 30, 2013</u>	<u>Levy as Extended by Assessor</u>	<u>Interest, Discounts and Adjustments</u>	<u>Turnovers</u>	<u>Property Taxes Receivable June 30, 2014</u>
2013-14	\$ -	\$ 340,161	\$ (9,800)	\$ (323,613)	\$ 6,748
2012-13	6,287	-	43	(3,293)	3,037
2011-12	3,608	-	284	(1,387)	2,505
2010-11	2,798	-	376	(1,347)	1,827
2009-10	1,359	-	36	(352)	1,043
2008-09	65	-	(4)	(28)	33
	<u>\$ 14,117</u>	<u>\$ 340,161</u>	<u>\$ (9,065)</u>	<u>\$ (330,020)</u>	<u>\$ 15,193</u>

Levy as extended	\$ 340,161
Discounts	<u>(11,125)</u>
Revenue	329,036
Included as interest	895
Recorded as property tax revenue	<u>\$ 329,931</u>



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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 as of and for the year ended June 30, 2014, which collectively comprise the basic financial statements of the Agency and have issued our report thereon dated December 16, 2014.

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 (Continued)**

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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.

RESTRICTION 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, Kowola & Warwick LLP

Lake Oswego, Oregon
December 16, 2014