

# City of Tigard, Oregon

Report to the City Council

February 7, 2012



TALBOT, KORVOLA & WARWICK, LLP  
Certified Public Accountants



**Talbot, Korvola  
& Warwick, LLP**

Certified Public Accountants  
& Consultants

4800 SW Macadam Ave, Suite 400  
Portland, Oregon 97239-3973

P 503.274.2849  
F 503.274.2853

[www.tkw.com](http://www.tkw.com)

February 7, 2012

City Council  
City of Tigard  
Tigard, Oregon

We are pleased to present this report related to our audit of the basic financial statements and compliance of the City of Tigard, Oregon (the City) for the year ended June 30, 2011. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the City's financial and compliance reporting process.

This report is intended solely for the information and use of the City Council and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to be of service to the City.

Certified Public Accountants

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- Representation Letter

CITY OF TIGARD, OREGON

REQUIRED COMMUNICATIONS

YEAR ENDED JUNE 30, 2011

Statement on Auditing Standards No. 114 requires the auditor to communicate certain matters to keep those charged with governance adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. The following summarizes these communications.

Area	Comments
<b>Auditor's Responsibility Under Professional Standards</b>	Our responsibility under auditing standards generally accepted in the United States of America and <i>Government Auditing Standards</i> , issued by the Comptroller General of the United States, has been described to you in our arrangement letter dated May 25, 2011.
<b>Accounting Practices</b>	<b>Adoption of, or Change in, Accounting Policies</b> Management has the ultimate responsibility for the appropriateness of the accounting policies used by the City. In the current year the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, <i>Fund Balance Reporting and Governmental Fund Type Definitions</i> . This Statement provides guidance to more clearly and consistently present fund balance classifications, and clarifies the existing governmental fund type definitions. The Standard establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. <b>Significant or Unusual Transactions</b> We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. <b>Alternative Treatments Discussed with Management</b> We did not discuss with management any alternative treatments within accounting principles generally accepted in the United States of America for accounting policies and practices related to material items during the current audit period.

**CITY OF TIGARD, OREGON**  
**REQUIRED COMMUNICATIONS (Continued)**  
**YEAR ENDED JUNE 30, 2011**

<b>Area</b>	<b>Comments</b>
<b>Management's Judgments and Accounting Estimates</b>	Summary information about the process used by management in formulating particularly sensitive accounting estimates is in the attached Summary of Accounting Estimates.
<b>Audit Adjustment</b>	One audit adjustment recorded by the City is presented with the Representation Letter included in Attachment A.
<b>Uncorrected Misstatements</b>	Uncorrected misstatements are summarized and presented with the Representation Letter included in Attachment A.
<b>Disagreements with Management</b>	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
<b>Consultations with Other Accountants</b>	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
<b>Significant Issues Discussed with Management</b>	No significant issues arising from the audit were discussed or were the subject of correspondence with management.
<b>Difficulties Encountered in Performing the Audit</b>	We did not encounter any difficulties in dealing with management during the audit.
<b>Letter Communicating Significant Deficiencies and Material Weaknesses</b>	We have separately communicated the material weaknesses identified during our audit of the financial statements, as required by <i>Government Auditing Standards</i> and OMB Circular A-133, under separate cover in our reports related to the audit of Federal programs dated February 7, 2012.
<b>Certain Written Communications Between Management and Our Firm</b>	Copies of certain written communications between our Firm and management of the City are included as Attachment A.

CITY OF TIGARD, OREGON

SUMMARY OF ACCOUNTING ESTIMATES

YEAR ENDED JUNE 30, 2011

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. The following describes the significant accounting estimates reflected in the City's basic financial statements:

<b>Area</b>	<b>Accounting Policy</b>	<b>Estimation Process</b>
<b>Depreciation of Capital Assets</b>	Described in Note 1 of the Notes to Basic Financial Statements.	Computed on the straight-line method based on the estimated useful lives of the individual assets.
<b>Donated Assets</b>	Described in Note 1 of the Notes to Basic Financial Statements.	Donated assets are recorded at estimated fair market value as of the date of the donation.
<b>Accrued Compensated Absences</b>	Described in Note 1 of the Notes to Basic Financial Statements.	Liability is accrued when incurred in the entity-wide and proprietary fund statements and when matured in the governmental fund statements.
<b>Postemployment Benefits Other Than Pensions</b>	Described in Note 1 of the Notes to Basic Financial Statements.	Amounts reported and disclosed in the basic financial statements for postemployment benefits other than pensions are actuarially determined using information provided by the City to the actuary.

CITY OF TIGARD, OREGON

RECENTLY ISSUED ACCOUNTING STANDARDS

YEAR ENDED JUNE 30, 2011

The Governmental Accounting Standards Board (GASB) has issued statements not yet implemented by the City. Management has not yet determined the effect these statements will have on the City's financial statements. However, the City plans to implement these standards by the required dates. The statements which might impact the City are as follows:

Statement	Comments
<b><i>GASB Statement No. 61, The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34</i></b>	This Statement will be effective for the City beginning with its fiscal year ending June 30, 2013. Early implementation is encouraged. This Statement provides guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. A key aspect of this Statement is the clarification of the financial benefit/burden relationship between the primary government and the component unit(s).
<b><i>GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements</i></b>	This Statement will be effective for the City beginning with its fiscal year ending June 30, 2013. Early implementation is encouraged. This Statement codifies all sources of accounting principles generally accepted in the United States of America for state and local governments so that they derive from a single source. For enterprise funds and business-type activities this Statement eliminates the reference in the footnotes related to application of post-November 30, 1989 FASB guidance that does not conflict with or contradict GASB pronouncements.
<b><i>GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position</i></b>	This Statement will be effective for the City beginning with its fiscal year ending June 30, 2013. Early implementation is encouraged. This Statement replaces the current Statement of Net Assets with a Statement of Net Position, and provides guidance on the presentation of deferred outflows of resources and deferred inflows of resources, and their effects on a government's net position.

## **ATTACHMENT A**

### **CERTAIN WRITTEN COMMUNICATIONS BETWEEN MANAGEMENT AND OUR FIRM**

- Arrangement Letter
- Representation Letter



May 25, 2011

City Council  
City of Tigard, Oregon  
Tigard, Oregon

Attention: Mayor Craig Dirksen

This letter is to explain our understanding of the arrangements for the services we are to perform for the City of Tigard, Oregon and the Tigard Urban Renewal Agency, a component unit of the City of Tigard (collectively, the City) for the year ending June 30, 2011. We ask that you either confirm or amend this understanding.

Our acceptance of this engagement is subject to our satisfactorily completing our normal engagement acceptance procedures, including review of the audit documentation of your previous auditors. We will notify you promptly if we become aware of anything during our acceptance procedures or the review of audit documentation that results in our not being able to continue this engagement.

#### **Audit Services**

We will perform an audit of the City's governmental activities, business-type activities, each major fund, and aggregate remaining fund information as of and for the year ending June 30, 2011, which collectively comprise the basic financial statements. We understand that the financial statements will be prepared in accordance with accounting principles generally accepted in the United States of America. The objective of an audit of financial statements is to express opinions on those statements.

We are responsible for forming and expressing opinions about whether the financial statements that have been prepared by management with the oversight of the City Council are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

We will also perform the audit of the City as of June 30, 2011, so as to satisfy the audit requirements imposed by the Single Audit Act and the U.S. Office of Management and Budget (OMB) Circular No. A-133.

We will conduct the audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States; the provisions of the Single Audit Act, OMB Circular A-133, and OMB's Compliance Supplement; and *Minimum Standards for Audits of Oregon Municipal Corporations*. Those standards, circular, and supplement require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement whether caused by error or fraud. Accordingly, a material misstatement may remain undetected. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements. The determination of abuse is subjective; therefore, *Government Auditing Standards* do not expect us to provide reasonable assurance of detecting abuse.

An audit of financial statements includes obtaining an understanding of the City and its environment, including its internal control, sufficient to assess the risks of material misstatement of the financial statements, and to design the nature, timing, and extent of

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**Audit Services (Continued)**

further audit procedures. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, we will communicate to management and the City Council any significant deficiencies or material weaknesses that we become aware of during the course of the audit.

We will also communicate to the City Council (a) any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements, (b) any illegal acts, violations of provisions of contracts or grant agreements, and abuse that come to our attention (unless they are clearly inconsequential), (c) should any arise, any disagreements with management and other serious difficulties encountered in performing the audit, and (d) various matters related to the City's accounting policies and financial statements.

In addition to our reports on the City's financial statements, we will also issue the following reports or types of reports:

- A report on the fairness of the presentation of the City's Schedule of Expenditures of Federal Awards for the year ending June 30, 2011.
- Reports on internal control related to the financial statements and major programs. These reports will describe the scope of testing of internal control and the results of our tests of internal controls.
- Reports on compliance with laws, regulations, and the provision of contracts or grant agreements. We will report on any noncompliance which could have a material effect on the financial statements and any noncompliance which could have a direct and material effect on each major program.
- A Schedule of Findings and Questioned Costs.
- A data collection form (Form SF-SAC) U.S. Department of Commerce for the year ending June 30, 2011.
- A report on the Summary of Revenues and Expenditures as required by *Minimum Standards for Audits of Oregon Municipal Corporations*.
- Independent Auditor's Report Required by Oregon State Regulations. The responsibility we are to take for the material included in this report will be the same as that we assume for other supplementary information accompanying the financial statements.

The funds that you have told us are maintained by the City and that are to be included as part of our audit are listed here.

General Fund	Urban Renewal Agency Debt Service Fund	Storm Sewer Fund
Gas Tax Fund	Facility Fund	Water Quality and Quantity Fund
City Gas Tax Fund	Transportation Development Tax Fund	Water General Fund
Tree Replacement Fund	Traffic Impact Fee Fund	Water System Development Fund
Electrical Inspection Fund	Underground Utility Fund	Water Capital Projects Fund
Criminal Forfeiture Fund	Street Maintenance Fee Fund	Central Service Fund
Building Fund	Parks Capital Fund	Fleet Property Management Fund
Library Fund	Parks SDC Fund	Insurance Fund
Bancroft Debt Service Fund	Urban Renewal Agency Capital Projects Fund	
General Obligation Bond Debt Service Fund	Sanitary Sewer Fund	

The component unit whose financial statements you have told us are to be included as part of the City's basic financial statements is the Tigard Urban Renewal Agency.

### **Audit Services (Continued)**

The federal financial assistance programs that you have told us that the City participates in and that are to be included as part of the single audit are listed here (based on awards of prior year).

Community Development Block Grant Cluster (CFDA 14.218)	Public Library Grant (45.310)
Bullet Proof Vest Partnership Program (CFDA 16.607)	Drinking Water State Rev. Funds – ARRA (CFDA 66.468)
GREAT Grant (CFDA 16.737)	Energy Efficiency Block Grant – ARRA (CFDA 81.128)
Edward Byrne Memorial Justice Assistance (CFDA 16.738)	Safe Schools Grant (CFDA 84.184)
Capital and Operating Assistance Formula (CFDA 20.507)	Drug Free Communities Support Program (CFDA 93.276)
Highway Safety Cluster (CFDA 20.601 and 20.602)	State Homeland Security Program (CFDA 97.073)

Our reports on internal control will include any significant deficiencies and material weaknesses in controls of which we become aware as a result of obtaining an understanding of internal control and performing tests of internal control consistent with requirements of the standards and circular identified above. Our reports on compliance will address material errors, fraud, abuse, violations of compliance requirements, and other responsibilities imposed by state and federal statutes and regulations and assumed by contracts; and any state or federal grant, entitlement or loan program questioned costs of which we become aware, consistent with requirements of the standards and circular identified above.

### **The City's Responsibilities**

Management is responsible for the financial statements, including the selection and application of accounting policies, adjusting the financial statements to correct material misstatements, and for making all financial records and related information available to us. Management is responsible for providing us with a written management representation letter confirming certain representations made during the course of our audit of the financial statements and affirming to us that it believes the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and to the opinion units of the financial statements.

Management is responsible for establishing and maintaining effective internal control over financial reporting and for informing us of all significant deficiencies and material weaknesses in the design or operation of such controls of which it has knowledge.

Management is responsible for the preparation of the Schedule of Expenditures of Federal Awards. Management is also responsible for:

- a) Making us aware of significant vendor relationships where the vendor is responsible for program compliance;
- b) Following up and taking corrective action on audit findings, including the preparation of a summary Schedule of Prior Audit Findings, and a corrective action plan;
- c) Report distribution including submitting the reporting package;
- d) Identifying all federal awards received and expended and the federal program name under which they were received. Federal program and award identification includes, as applicable, the CFDA title and number, the award number and year, the name of the federal agency, and the name of the pass-through entity, as well as the identification of program clusters;
- e) Establishing and maintaining effective internal control over compliance for federal programs that provides reasonable assurance that the entity is managing federal awards in compliance with laws,

**The City's Responsibilities (Continued)**

- regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs;
- f) Complying with laws, regulations, and the provisions of contracts or grant agreements related to each of its federal programs; and
  - g) Ensuring that the audits required by OMB Circular A-133 are properly performed and submitted when due.

Management is required to submit to the Federal Audit Clearing House a reporting package that comprises the Financial Statements and Schedule of Expenditures of Federal Awards, Summary Schedule of Prior Audit Findings, auditor's reports, and corrective action plan. This reporting package is to be submitted electronically with the Data Collection Form.

Management is responsible for identifying and ensuring that the City complies with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations. In addition, management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the City involving management, employees who have significant roles in internal control, and others where the fraud could have a material effect on the financial statements. Management is also responsible for informing us of its knowledge of any allegations of fraud or suspected fraud affecting the City received in communications from employees, former employees, analysts, regulators, or others.

The City Council is responsible for informing us of its views about the risks of fraud within the City, and its knowledge of any fraud or suspected fraud affecting the City.

The City agrees that it will not associate us with any public or private securities offering without first obtaining our consent. Therefore, the City agrees to contact us before it includes our reports or otherwise makes reference to us, in any public or private securities offering. We may conclude that we are not otherwise associated with the proposed offering and that our association with the proposed offering is not necessary, providing the City agrees to clearly indicate that we are not associated with the contents of the official statement or memorandum. The City agrees that the following disclosure will be prominently displayed in the official statement or memorandum:

*Talbot, Korvola & Warwick, LLP, our independent auditor, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Talbot, Korvola & Warwick, LLP also has not performed any procedures relating to this official statement or memorandum.*

Our association with an official statement or memorandum is a matter for which separate arrangements will be necessary. The City agrees to provide us with printer's proofs or masters of such offering documents for our review and approval before printing, and with a copy of the final reproduced material for our approval before it is distributed. In the event our auditor/client relationship has been terminated when the City seeks such consent, we will be under no obligation to grant such consent or approval.

Because Talbot, Korvola & Warwick, LLP (the Firm) will rely on the City and its management and City Council to discharge the forgoing responsibilities, the City holds harmless and releases the Firm, its partners, and employees from all claims, liabilities, losses, and costs arising in circumstances where there has been a knowing misrepresentation by a member of the City's management that has caused, in any respect, the Firm's breach of contract or negligence. This provision shall survive the termination of this arrangement for services.

### **The City's Records and Assistance**

If circumstances arise relating to the condition of your records, the availability of appropriate audit evidence, or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting, or misappropriation of assets which in our professional judgment prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawal from the engagement.

During the course of our engagement, we may accumulate records containing data that should be reflected in the City's books and records. The City will determine that all such data, if necessary, will be so reflected. Accordingly, the City will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by City personnel, including the preparation of schedules and analyses of accounts, will be discussed and coordinated with Debbie Smith-Wagar, Assistant Finance Director. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

From time to time and depending upon the circumstances, we may use third-party service providers to assist us in providing professional services to you. In such circumstances, it may be necessary for us to disclose confidential client information to them. We enter into confidentiality agreements with all third-party service providers and we are satisfied that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others.

### **Fees, Costs, and Access to Audit Documentation**

Our fees for the audit and accounting services described above are based upon the time required by the individuals assigned to the engagement, plus direct expenses. Our fee for the audit of the City's financial statements and related compliance for the year ending June 30, 2011 is not expected to exceed \$51,805. This fee estimate will be subject to adjustments based on unanticipated changes in the scope of our work and/or the incomplete or untimely receipt by us of the information on the client participation list. All other provisions of this letter will survive any fee adjustment. Interim billings will be submitted as work progresses and as expenses are incurred. Billings are due upon submission.

Our professional standards require that we perform certain additional procedures, on current and previous years' engagements, whenever a partner or professional employee leaves the Firm and is subsequently employed by or associated with a client. Accordingly, the City agrees it will compensate the Firm for any additional costs incurred as a result of the City's employment of a partner or professional employee of the Firm.

In the event we are requested or authorized by the City or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagements for the City, the City will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

You may choose to publish your financial statements electronically on the City's internet website. You agree we are not required under professional standards or this Agreement to read or monitor the information contained on your website or to consider the consistency of other information in the electronic site with the original document. However, we reserve the right to review the information as presented on your internet website, and to withdraw our report should we disagree with the form, context or manner of presentation of the

**Fees, Costs, and Access to Audit Documentation (Continued)**

financial statements upon which we reported. You agree upon written notification of our objections, to immediately remove our report and any reference thereto or to Talbot, Korvola & Warwick, LLP from your internet website.

In the interest of facilitating our services to you, we may communicate by electronic mail over the internet. Such communications may include information that is confidential to the City. Our Firm employs measures in the use of computer technology designed to provide reasonable assurance that data security is maintained. While we will use our best efforts to keep such communications secure in accordance with our obligations under applicable laws and professional standards, you recognize and accept that we have no control over the unauthorized interception of these communications once they have been sent. Unless you issue specific instructions to do otherwise, we will assume that you consent to our use of electronic communication during this engagement as we deem appropriate.

The documentation for this engagement is the property of the Firm. However, you acknowledge and grant your assent that representatives of the cognizant or oversight agency or their designee, other government audit staffs, and the U.S. Government Accountability Office shall have access to the audit documentation upon their request; and that we shall maintain the audit documentation for a period of at least five years after the date of the report, or for a longer period if we are requested to do so by the cognizant or oversight agency. Access to requested documentation will be provided under the supervision of our Firm's audit personnel and at a location designated by our Firm.

You have informed us that you intend to prepare a comprehensive annual financial report (CAFR) and submit it for evaluation by the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting Program. Our participation in this process is to consist of review of the CAFR for technical compliance with Program requirements, and assistance as requested in responding to prior GFOA comments.

**Claim Resolution**

The City and the Firm agree that no claim arising out of services rendered pursuant to this agreement shall be filed more than two years after the date of the audit report issued by the Firm or the date of this arrangement letter if no report has been issued. The City waives any claim for punitive damages. The Firm's liability for all claims, damages, and costs of the City arising from this engagement is limited to the amount of fees paid by the City to the Firm for the services rendered under this arrangement letter.

**Closing**

This letter, together with the contract between the City and the Firm constitutes the complete and exclusive statement of agreement between the Firm and the City, superseding all proposals, oral or written, and all other communications, with respect to the terms of the engagement between the parties.

In accordance with *Government Auditing Standards*, a copy of our most recent peer review report is enclosed, for your information.

If this letter defines the arrangements as the City understands them, please sign and date the enclosed copy and return it to us.

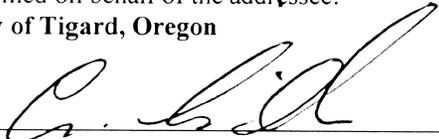
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Certified Public Accountants



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Robert G. Moody, Jr., Partner

Confirmed on behalf of the addressee:  
**City of Tigard, Oregon**



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Signature

*Mayor*

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Title

*6/9/2011*

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Date



## City of Tigard

February 7, 2012

Talbot, Korvola & Warwick, LLP  
4800 SW Macadam Avenue, Suite 400  
Portland, Oregon 97239

In connection with your audit of the basic financial statements of the City of Tigard, Oregon, (the City) as of and for the year ended June 30, 2011, we confirm that we are responsible for the fair presentation in the financial statements of financial position, changes in financial position, and cash flows in conformity with accounting principles generally accepted in the United States of America.

We confirm to the best of our knowledge and belief, as of February 7, 2012, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America.
2. We have identified for you all organizations that are a part of the City or with which we have a relationship, as these organizations are defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, that are component units.
3. We have identified for you all of our funds, governmental functions, and identifiable business-type activities.
4. We have properly classified all funds and activities.
5. We have properly determined and reported the major governmental and enterprise funds based on the required quantitative criteria.
6. We are responsible for compliance with laws and regulations applicable to the City including adopting, approving, and amending budgets.
7. We have identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts including legal and contractual provisions for reporting specific activities in separate funds.
8. We have made available to you:
  - a. All financial records and related data of all funds and activities, including those of all special funds, programs, departments, projects, activities, etc., in existence at any time during the period covered by your audit.
  - b. All minutes of the meetings of the City Council and committees of board members or summaries of actions of recent meetings for which minutes have not yet been prepared.

9. We have no knowledge of fraud or suspected fraud affecting the City involving:
  - a. Management.
  - b. Employees who have significant roles in the internal control, or
  - c. Others where the fraud could have a material effect on the financial statements.
10. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.
11. We have no knowledge of any allegations of fraud or suspected fraud affecting the City received in communications from employees, former employees, analysts, regulators, or others.
12. We have informed you of all significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the City's ability to record, process, summarize, and report financial data.
13. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
14. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
15. The following have been properly recorded and/or disclosed in the financial statements:
  - a. Related-party transactions, including those with the component unit for which the City is accountable as defined in Section 2100 of the Governmental Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements, and guarantees, all of which have been recorded in accordance with the economic substance of the transaction and appropriately classified and reported.
  - b. Lines of credit or similar arrangements.
  - c. Security agreements in effect under the Uniform Commercial Code.
  - d. The fair value of investments.
  - e. Debt issue provisions.
  - f. All significant estimates and material concentrations known to management which are required to be disclosed in accordance with the AICPA's Statement of Position No. 94-6, *Disclosure of Certain Significant Risks and Uncertainties*. Significant estimates are estimates at the Statement of Net Assets date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year.
  - g. The effect on the financial statements of GASB 54 which has been issued and adopted.
  - h. Deposits and investment securities category of custodial credit risk.

16. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:
  - a. To reduce receivables to their estimated net collectable amounts.
  - b. For pension obligations, post-retirement benefits other than pensions, and deferred compensation agreements attributable to employee services rendered through June 30, 2011.
17. There are no:
  - a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.
  - b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Federal Environmental Protection Agency or any equivalent state agencies in connection with any environmental contamination.
  - c. Material liabilities or gain or loss contingencies that are required to be accrued or disclosed by the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Topic *Contingencies* and/or GASB Statement No. 10.
  - d. Communications from grantors, lenders, other funding sources, or regulatory agencies concerning noncompliance with:
    - (1) Statutory, regulatory, or contractual provisions or requirements.
    - (2) Financial reporting practices that could have a material effect on the financial statements.
  - e. Guarantees, whether written or oral, under which the City is contingently liable.
  - f. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.
  - g. Agreements to repurchase assets previously sold.
  - h. Liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.
  - i. Contractual obligations for construction or purchase of real property or equipment not included in the liabilities recorded on the books.
  - j. Liabilities which are subordinated in any way to any other actual or possible liabilities.
  - k. Debt issue repurchase options or agreements, or sinking fund debt repurchase ordinance requirements.
  - l. Leases or material amounts of rental obligations under long-term leases.
  - m. Authorized but unissued bonds and/or notes.
  - n. Risk financing activities.

- o. Derivative financial instruments.
  - p. Special or extraordinary items.
  - q. Arbitrage rebate liabilities.
  - r. Impairments of capital assets.
  - s. Obsolete, damaged, or excess inventories.
  - t. Investments, intangibles, or other assets which have permanently declined in value.
  - u. Uninsured losses or loss retentions (deductibles) attributable to events occurring through June 30, 2011, and/or for expected retroactive insurance premium adjustments applicable to periods through June 30, 2011.
  - v. Material losses to be sustained in the fulfillment of, or from the inability to fulfill, any service commitments.
  - w. Material losses to be sustained as a result of purchase commitments.
  - x. Environmental clean-up obligations.
18. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with the FASB ASC Topic *Contingencies* and/or GASB Statement No.10.
19. We have no direct or indirect, legal or moral obligation for any debt of any organization, public or private, or to special assessment bond holders, that is not disclosed in the financial statements.
20. We have satisfactory title to all owned assets.
21. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
22. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balances are properly classified and, when applicable, approved.
23. Expenses have been appropriately classified in or allocated to functions and programs in the Statement of Activities, and allocations have been made on a reasonable basis.
24. Revenues are appropriately classified in the Statement of Activities within program revenues and general revenues.
25. Capital assets, including infrastructure assets, are properly capitalized, reported, and depreciated.
26. Required supplementary information is properly measured and presented.
27. We are responsible for and have reviewed and approved the proposed adjustments to the trial balances identified during the audit, which are included in the Summarized Schedule of Posted Adjustments and will post these adjustments accordingly. These adjustments are attached as Appendix A.
28. The methods used to estimate the fair values of investments are properly disclosed in the Notes to Basic Financial Statements.

29. The restatement of the financial statements as of and for the year ended June 30, 2010, because of an error in the reporting of interfund loans is appropriate. We agree with the restatement of the previously issued financial statements discussed in Note 14. In that regard:
- a. The restatement corrects an error in those financial statements.
  - b. We are not aware of the error when those financial statements were issued.
  - c. We are not aware of any other errors in those financial statements.
  - d. We do not believe it is necessary to recall those financial statements and all users of those financial statements will have appropriate access to a copy of the current year's financial statements and independent auditor's report.

In connection with your audit, conducted in accordance with *Government Auditing Standards*, we confirm:

30. We are responsible for:
- a. Compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the City.
  - b. Establishing and maintaining effective internal control over financial reporting.
31. We have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determinations of financial statement amounts or other financial data significant to audit objectives.
32. There are no violations or possible violations of laws, regulations, and provisions of contracts and grant agreements whose effects should be considered for disclosure in the auditor's report on noncompliance.
33. We have a process to track the status of audit findings and recommendations.
34. We have provided you with our views on your reported findings, conclusions, and recommendations, as well as our planned corrective actions for the report.

In connection with your audit of federal awards conducted in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, we confirm:

35. We are responsible for complying, and we have complied, with the requirements of OMB Circular A-133.
36. We are responsible for understanding and complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs.
37. We are responsible for establishing and maintaining and we have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on our federal programs.
38. We have prepared the Schedule of Expenditures of Federal Awards in accordance with OMB Circular A-133 and have included expenditures made during the period being audited for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.

39. We have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
40. We have made available all contracts and grant agreements (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.
41. There is no known noncompliance with the direct and material compliance requirements of federal awards and there are no questioned costs in relation to noncompliance.
42. We believe that we have complied with the direct and material compliance requirements.
43. We have made available all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
44. We have provided you our interpretations of any compliance requirements that are subject to varying interpretations.
45. We have disclosed to you any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of your report.
46. We are responsible for taking corrective action on audit findings of the compliance audit.
47. There have been no issues of noncompliance with direct and material compliance requirements occurring subsequent to the period covered by your report.
48. There have been no changes in internal control over compliance or other factors that might significantly affect internal control subsequent to the date as of which compliance is audited.
49. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
50. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
51. We have monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of OMB Circular A-133.
52. There have been no receipts of subrecipients' auditor's reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements.
53. We have considered the results of subrecipient audits and have made any necessary adjustments to our own books and records.
54. We have charged costs to federal awards in accordance with applicable cost principles.
55. We have accurately completed the appropriate sections of Form SF-SAC Data Collection Form.

No events or transactions have occurred subsequent to the Statement of Net Assets date that would require adjustment to, or disclosure in, the financial statements.

During the course of your audit, you may have accumulated records containing data which should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

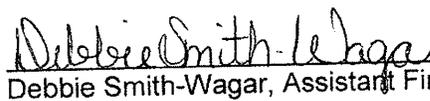
As of and for the Year Ended June 30, 2011

We believe that the effects of the uncorrected misstatements aggregated by you and summarized below are immaterial, both individually and in the aggregate to the basic financial statements. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

	Increase/(Decrease)				
	Assets	Liabilities	Net Assets	Revenue	Expenses/ Expenditures
<b>General Fund</b>					
To accrue franchise fee revenue	\$ 193,407	\$ -	\$ 193,407	\$ 193,407	\$ -
To record accrued expenses	-	82,926	(82,926)	-	82,926
To reverse accounts receivable	(51,584)	-	(51,584)	(51,584)	-
<b>Total General Fund</b>	<b>\$ 141,823</b>	<b>\$ 82,926</b>	<b>\$ 58,897</b>	<b>\$ 141,823</b>	<b>\$ 82,926</b>
<b>Tree Replacement Fund</b>					
To reverse prior year revenue recorded in the current year	\$ -	\$ -	\$ 867,000	\$ (867,000)	\$ -
<b>Government Wide</b>					
To accrue franchise fee revenue	\$ 193,407	\$ -	\$ 193,407	\$ 193,407	\$ -
To record accrued expenses	-	82,926	(82,926)	-	82,926
To reverse accounts receivable	(51,584)	-	(51,584)	(51,584)	-
To reverse prior year revenue recorded in the current year	-	-	867,000	(867,000)	-
To record municipal court receivables	382,000	-	382,000	382,000	-
<b>Total Government Wide</b>	<b>\$ 523,823</b>	<b>\$ 82,926</b>	<b>\$ 1,307,897</b>	<b>\$ (343,177)</b>	<b>\$ 82,926</b>

City of Tigard, Oregon

  
 Toby LaFrance, Director of Finance & IS

  
 Debbie Smith-Wagar, Assistant Finance Director

CITY OF TIGARD, OREGON

APPENDIX A

SUMMARIZED SCHEDULE OF POSTED ADJUSTMENTS

YEAR ENDED JUNE 30, 2011

	Increase/(Decrease)				Expenses/ Expenditures
	Assets	Liabilities	Net Assets	Revenue	
<b><u>Government Wide</u></b>					
<b><u>Governmental Activities:</u></b>					
To record gas tax revenue	\$ 206,043	\$ -	\$ 206,043	\$ 206,043	\$ -
<b><u>Gas Tax Fund:</u></b>					
To record gas tax revenue	\$ 206,043	\$ -	\$ 206,043	\$ 206,043	\$ -