BEAVERTON URBAN REDEVELOPMENT AGENCY

(A Component Unit of the City Of Beaverton, Oregon)

ANNUAL FINANCIAL REPORT

for the fiscal year ended June 30, 2019

Prepared by the City of Beaverton
Department of Finance

BEAVERTON URBAN DEVELOPMENT AGENCY
(A component unit of the City of Beaverton, Oregon)
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INTRODUCTORY SECTION

Beaverton Urban Redevelopment Agency

December 13, 2019

The Honorable Chair and Members of the Board of Directors
Cheryl Twete, Executive Director
Beaverton Urban Redevelopment Agency
PO BOX 4755
Beaverton, OR 97076-4755

This is the Annual Financial Report of the Beaverton Urban Redevelopment Agency (BURA) for the year ended June 30, 2019. Accompanying this report is the opinion thereon of our independent certified public accountants. The City of Beaverton Finance Department prepared this report and the responsibility for all information representations contained in the report rests with BURA.

The BURA Board sets the policy for the urban redevelopment agency. By an informal agreement with the City of Beaverton, the City provides all staff support for carrying out the Beaverton Central Urban Renewal Plan under the direction of the BURA Board.

The accounting records are maintained on the modified accrual basis of accounting. The financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

On March 1, 2010, the Beaverton City Council activated BURA through Ordinance 4530, and subsequently approved Ordinance 4566 adopting the Central Beaverton Urban Renewal Plan on July 12, 2011. The Plan was then referred to and approved by the voters at the November 8, 2011 General Election. FY 2012-13 was the first year that tax increment revenues accrued to the BURA. As of June 30, 2019, the Urban Redevelopment Agency reported a fund balance of $4,350,184 of which 100% is restricted for the City's Beaverton Central urban renewal project.

Respectfully submitted,

Patrick O'Claire, Treasurer

12725 SW Millikan Way, PO Box 4755, Beaverton, Oregon 97076 | (503) 526-2422 | BeavertonOregon.gov/BURA

BEAVERTON URBAN REDEVELOPMENT AGENCY

Fiscal Year 2018-19

Beaverton Urban Redevelopment Agency Budget Committee

Denny Doyle
Mark Fagin
Cate Arnold
Jim McCreight
Michael Jude Hughes
Inessa Vitko
Domonic Biggi
Ann Snyder
Mandeep Bawa
Marc San Soucie
Dave Szatmary
Lacey Beaty
Doug Menke
Scott Winter
Jennifer Nye
Roy Kim
Paul Cohen
Laura Mitchell

Beaverton Urban Redevelopment Agency Board

Chair - Marc San Soucie

Denny Doyle
Mark Fagin
Cate Arnold
Doug Menke
Laura Mitchell
Sheila Greenlaw-Fink
Lacey Beaty
Roy Kim

BURA Executive Director and Community Development Director

Cheryl Twete

Development Division Manager

Cadence Petros

Senior Project Development Manager

Tyler Ryerson

Treasurer

Patrick O'Claire

Legal Counsel

Bill Kirby

Beaverton Urban Redevelopment Agency

City of Beaverton PO Box 4755 12725 SW Millikan Way Beaverton Oregon 97076-4755

www.BeavertonOregon.gov/BURA

FINANCIAL SECTION

ACHIEVE MORE

Talbot, Korvola & Warwick, LLP

4800 Meadows Road, Suite 200
Lake Oswego, OR 97035

P 503.274.2849
F 503.274.2853

www.tkw.com

INDEPENDENT AUDITOR'S REPORT

Board Members
Beaverton Urban Redevelopment Agency
(A component unit of the City of Beaverton, Oregon)
Beaverton, Oregon

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities and each major fund of the Beaverton Urban Redevelopment Agency (the Agency), a component unit of the City of Beaverton, Oregon, as of and for the year ended June 30, 2019, and the related notes to 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Agency'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 Agency'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.

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Board Members
Beaverton Urban Redevelopment Agency
(A component unit of the City of Beaverton, Oregon)

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, 2019, 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 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 Management's Discussion and Analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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 financial schedules, presented as Other Supplementary Information, as listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Board Members
Beaverton Urban Redevelopment Agency
(A component unit of the City of Beaverton, Oregon)

OTHER MATTERS (Continued)

Other Information (Continued)

The Other Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

REPORTS ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2019 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

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 12, 2019 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 12, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

BEAVERTON URBAN REDEVELOPMENT AGENCY
(A component unit of the City of Beaverton, Oregon)
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2019

This discussion and analysis presents the highlights of financial activities and financial position for the Beaverton Urban Redevelopment Agency of the City of Beaverton (BURA). The analysis focuses on the financial activities of BURA for the fiscal year ended June 30, 2019 based on currently known facts, decisions and conditions that existed as of the date of the independent auditor's report. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and the financial statements.

FINANCIAL HIGHLIGHTS

Following are the financial highlights of BURA for the fiscal year ended June 30, 2019:

			Division of Tax Increment	
	District AV	Increase in Assessed Valuation	Budgeted	Increment Received
Frozen Base AV	$782,804,336			
2012-13	$788,610,799	$5,806,463	$270,000	$86,881
2013-14	$800,929,828	$12,319,029	$100,000	$284,424
2014-15	$833,269,953	$32,340,125	$291,540	$768,164
2015-16	$884,701,194	$51,431,241	$1,476,792	$1,489,797
2016-17	$921,495,446	$36,794,252	$1,998,890	$2,013,969
2017-18	$988,802,749	$67,307,303	$3,012,431	$3,073,745
2018-19	$1,033,399,867	$44,597,118	$3,647,997	$3,635,270

- The assessed valuation (AV) of the District increased by more than $44.5 million from 2017-18, and the AV increase from the base year of 2011-12 is more than $250 million.
- With the increased division of tax increment receipts, the Agency spent approximately $360,000 in FY 2018-19 on development incentives for tenant and storefront improvements of retail and offices spaces, primarily in "Old Town" of the district. The Agency is experiencing solid returns on investment from these types of incentives.
- In April 2019, the Agency purchased a property located at 4500 SW Watson Avenue for $1,221,000. The building is approximately 6,200 square foot on 0.23 acre and it is located at the "gateway to City's downtown restaurant row".
- In May 2019, continuing with the site assemblage for future development plan, the Agency acquired approximately .59 acre of land and building located near City Hall for $1,549,879. After the initial payment at closing, the Agency entered a $903,000 contract payable agreement for the remaining principal at annual interest rate of 5%.
- During the year, the Agency borrowed and repaid $2,423,363 from the City of Beaverton on a short-term basis for the above mentioned property acquisitions. An additional $577,969 short-term loan was handled in a similar fashion to pay for the construction design of the Central Beaverton parking garage near the City Hall.
- At year end, the Agency had $2.9 million outstanding liability in Letter of Credit that resulted from the draw made in previous year. The Letter of Credit is in the form of an Urban Renewal Note Series 2017 and a City of Beaverton Revenue Bond Series 2017, and was sold in a negotiated sale to Key Government Finance, Inc. This debt is also commonly referred to as the Non-Revolving Multi-Draw Line of Credit,

and the Borrower is listed as the Beaverton Urban Redevelopment Agency. The intent is to pay the interest due from BURA property tax increment. The Revenue Bond was issued on a parity basis with the 2013 Special Revenue Bond of the City (South Office Building Project). That bond and this Letter of Credit are backed by non-property tax General Fund revenue of the City such as ROW license/franchise fees, fines and forfeitures and state shared revenues. The Letter of Credit matures in 2022 and is likely to be paid from a BURA Special Revenue Bond solely based on future tax increment before maturity.

- Additional draws against the Letter of Credit are deferred until the Central Beaverton Parking Garage project is approved for construction. The Agency's Debt Service Fund was used to provide $164,193 interest payments on the Letter of Credit balances, and $70,454 interest expense was incurred on the property purchase contracts.
- The total net position of BURA at year end is $5,742,212, and $4,279,965 of it is invested in capital assets, net of related debt. The remaining $1,462,247 is restricted for urban economic development. The difference between the net position and fund balance is primarily a result of capitalization and long-term liability accruals on a full accrual basis.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following discussion and analysis serves as an introduction to BURA's basic financial statements and supplementary information. BURA's basic financial statements are comprised of three components:

1. Agency-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

Agency-wide financial statements - The agency-wide financial statements provide readers with a broad overview of BURA's finances, in a manner similar to a private-sector business. These statements include all assets of BURA as well as all liabilities (including long-term debt).

The Statement of Net Position presents information on all of BURA'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 BURA is improving or deteriorating. The Statement of Activities presents information showing how BURA's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash inflows or outflows in a future fiscal period. Examples of such items include earned but uncollected property taxes (future inflow).

All the activities of BURA are governmental activities and there are no functions, services or assets considered as business-type activities. The governmental activities of BURA are all related to economic development and general administration.

Fund financial statements - A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. BURA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of BURA are governmental funds. There are no proprietary funds.

Governmental funds - Governmental funds are used to account for activities where the emphasis is placed on available financial resources, rather than upon net position determination. Therefore, unlike the government-wide financial statements, governmental fund financial statements focus on the acquisition and use of current spendable

resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are in the basic financial statements.

BURA maintains three individual governmental funds: General Fund, Capital Project Fund and Debt Service Fund.

Notes to the basic financial statements 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 basic financial statements and should be read in conjunction with them.

BURA adopts an annual appropriated budget for all governmental funds on a modified accrual basis. To demonstrate compliance with the budget, a budgetary comparison statement for the General Fund is presented as Required Supplementary Information. Other Supplementary Information – budgetary comparison statements for the Debt Service Fund, Capital Project Fund and a schedule of property tax transactions are included.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During the preparation of the budget for the ensuing fiscal year, the long-term impacts of the local economy were examined in conjunction with business decisions made by BURA. BURA's adopted budget for FY 2019-20 reflects beginning working capital of $3.2 million and $4.2 million in incremental property tax revenues. Total resources exceed total appropriated expenditures by $3.7 million across all BURA funds. The following are the major assumptions used in developing the FY 2019-20 budget:

- The amount of tax increment is sufficient to provide the basis for a program of letter-of-credit borrowing to finance property acquisition, public improvements and predevelopment assistance as necessary to implement the Five-Year BURA Action Plan.
- The success of the Tenant Improvement and Storefront Improvement programs are a proven method of incentivizing private redevelopment, particularly in the Old Town area. These improvements, other construction and promotional programs have brought significant vitality in many blocks of the urban renewal area.
- The Agency continues a program of gradually assembling properties in the SW Canyon Road and SW Beaverdam Road area for the purpose of redevelopment. Willing property owners have been very cooperative with the Agency and suitable terms reached have been beneficial for all properties.

REQUESTS FOR INFORMATION

This financial report provides a general overview of BURA's finances for those with an interest in the agency's finances. Questions concerning any of the information provided in this report should be addressed to the Treasurer at 12725 SW Millikan Way, Beaverton, OR 97005.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

BEAVERTON URBAN RENEWAL DEVELOPMENT AGENCY
(A component unit of the City of Beaverton, Oregon)
STATEMENT OF NET POSITION
June 30, 2019

	Governmental Activities
Assets:	
Cash and investments	$4,574,404
Property taxes receivable	52,035
Accrued interest receivable	18,881
Capital assets	
Land	2,327,592
Construction in progress	963,659
Buildings	3,259,683
TOTAL ASSETS	$11,196,254
Liabilities:	
Accounts payable:	233,828
Interest payable:	27,344
Long-term liabilities:	
Portion due within one year:	
Land purchase contract payable	660,544
Portion due in more than one year:	
Line of credit , due in more than one year	2,921,900
Land purchase contract payable	1,610,426
TOTAL LIABILITIES	5,454,042
Net Position:	
Net investment in capital assets	4,279,965
Restricted for urban area economic development	1,462,247
TOTAL NET POSITION	$5,742,212

The notes to the basic financial statements are an integral part of this statement.

BEAVERTON URBAN RENEWAL DEVELOPMENT AGENCY
(A component unit of the City of Beaverton, Oregon)
STATEMENT OF ACTIVITIES
June 30, 2019

Functions/Programs	Expenses	Net (Expense) Revenue and Change in Net Position Governmental Activities
Governmental activities:		
Economic development and general administration	$1,083,233	($1,083,233)
Interest on long-term debt	234,648	(234,648)
Total governmental activities	$1,317,881	(1,317,881)
	General revenues:	
	Property taxes	3,684,788
	Unrestricted investment earnings	196,971
	Lease revenue	95,500
	Miscellaneous revenue	4,464
	Total general revenues	3,981,723
	Change in net position	2,663,842
	Net position, beginning	3,078,370
	Net position, ending	$5,742,212

The notes to the basic financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

BEAVERTON URBAN RENEWAL DEVELOPMENT AGENCY
(A component unit of the City of Beaverton, Oregon)
BALANCE SHEET
June 30, 2019

	General Fund	Capital Projects Fund	Total
Assets:			
Cash and investments	$4,493,108	$81,296	$4,574,404
Property taxes receivable	52,035		52,035
Accrued interest receivable	18,881		18,881
TOTAL ASSETS	$4,564,024	$81,296	$4,645,320
Liabilities, Deferred Inflows of Resources and Fund Balances:			
Liabilities:			
Accounts payable	$152,532	$81,296	$233,828
Total Liabilities	152,532	81,296	233,828
Deferred inflows of resources:			
Unavailable revenue - property taxes	42,427		42,427
Unavailable revenue - interest	18,881		18,881
Total Deferred Inflows of Resources	61,308		61,308
Fund Balances:			
Restricted for:			
Urban area economic development	4,350,184		4,350,184
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$4,564,024	$81,296	$4,645,320

The notes to the basic financial statements are an integral part of this statement.

BEAVERTON URBAN RENEWAL DEVELOPMENT AGENCY
(A component unit of the City of Beaverton, Oregon)
RECONCILIATION OF THE BURA FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2019

Total fund balances, BURA governmental funds	$4,350,184
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the governmental funds' balance sheet:	
Land acquisition cost	2,327,592
Building acquisition cost	3,321,939
Accumulated depreciation	(62,256)
Construction in progress	963,659
Long-term liabilities, including bonds/loan payable and accrued interest are not due in the current period and, therefore, are not reported in the funds' balance sheet.	
Line of credit payable	(2,921,900)
Interest payable on land purchase contract payable	(27,344)
Land purchase contract payable is not due in the current period and is not reported in the funds' balance sheet	(2,270,970)
Deferred property tax and investment income revenues are collected in subsequent periods and are not available for current year's operation However, on a full accrual basis of accounting, they are reported as revenues	61,308
Total net position, BURA governmental funds	$5,742,212

The notes to the basic financial statements are an integral part of this statement.

BEAVERTON URBAN RENEWAL DEVELOPMENT AGENCY
(A component unit of the City of Beaverton, Oregon)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
June 30, 2019

	General Fund	Debt Service Fund	Capital Project Fund	Total
Revenues:				
Taxes	$3,674,735			$3,674,735
Interest on investments	194,936			194,936
Lease of property	95,500			95,500
Miscellaneous revenues	4,058		$406	4,464
TOTAL REVENUES	3,969,229		406	3,969,635
Expenditures:				
Materials and services	1,020,977			1,020,977
Debt services		$164,193	545,924	710,117
Capital outlay			3,358,814	3,358,814
TOTAL EXPENDITURES	1,020,977	164,193	3,904,738	5,089,908
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,948,252	(164,193)	(3,904,332)	(1,120,273)
Other financing sources(uses):				
Note issuance on capital purchase			903,000	903,000
Loan from City of Beaverton			3,001,332	3,001,332
Repayment of Loan from City of Beaverton		(3,001,332)		(3,001,332)
Transfer in		3,165,525		3,165,525
Transfer out	(3,165,525)			(3,165,525)
TOTAL OTHER FINANCING SOURCES (USES)	(3,165,525)	164,193	3,904,332	903,000
EXCESS OF REVENUES (UNDER) EXPENDITURES AND NET CHANGE IN FUND BALANCE	(217,273)			(217,273)
FUND BALANCES - Beginning of year	4,567,457			4,567,457
FUND BALANCES - End of year	$4,350,184	$ -	$ -	$4,350,184

The notes to the basic financial statements are an integral part of this statement.

BEAVERTON URBAN RENEWAL DEVELOPMENT AGENCY
(A component unit of the City of Beaverton, Oregon)
RECONCILIATION OF THE BURA FUNDS BALANCE SHEET TO THE STATEMENT OF ACTIVITIES
June 30, 2019

Net change in fund balances - total governmental funds	($217,273)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	3,296,558
Note issued to acquire capital asset is reported as other financing source, however, it is removed in the Statement of Activities and reported as a liability in the Statement of Net Position	(903,000)
Repayments of long-tern debt are reported as expenditures. However, it is reported as a decrease in liabilities in the Statement of Net Assets.	467,030
Accrued interest expense on the land purchase contract payable is not due in the current period and are not reported in the funds' statement of revenues, expenditures and changes in fund balances	8,439
Deferred property tax and investment income revenues are collected in subsequent periods and are not available for current year's operation. However, on a full accrual basis of accounting, they are reported as revenues	12,088
Change in net position of governmental activities	$2,663,842

The notes to the basic financial statements are an integral part of this statement.

NOTES TO BASIC FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Beaverton Urban Redevelopment Agency (BURA), Oregon have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Financial Reporting Entity

The Beaverton Urban Redevelopment A*gency is a legally separate public body created by ordinance of the City of Beaverton in March 2010. Voters* approved the Central Beaverton Urban Renewal Plan in November 2011. BURA was created to combat blighted conditions, reverse a trend of declining property values and to revitalize the district. BURA receives funds through tax increment financing pursuant to Oregon Revised Statutes (ORS) 457.420 through 457.450.

BURA's governing body is substantively the same governing body of the City of Beaverton (City), as the governing board consists of members of the City Council, Mayor and three citizens. Additionally, the City's management has operational responsibility for BURA as it manages the activities of BURA in essentially the same manner in which it manages the City's own operations. BURA's financial activities are reported as a blended component unit in the City's Comprehensive Annual Financial Report as if it is part of the City.

Basic Financial Statements

The government-wide financial statements (Statement of Net Position and Statement of Activities) report information on all activities of BURA.

Fund financial statements are provided for the individual funds. The accounts of BURA are organized on the basis of funds. Fund accounting is designed to demonstrate legal compliance and aid financial management by segregating BURA's functions and activities. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, deferred inflows of resources, fund balances, revenues, and expenditures.

Measurement Focus and Basis of Accounting, and Financial Statement Presentation

The agency-wide financial statements are presented on the full accrual basis of accounting with an economic resource measurement focus. All transactions and events that affect the total economic resources (net position) during the period are reported based on the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

The governmental fund financial statements use the modified accrual basis of accounting whereby revenues are recognized when they become measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Deferred inflow of resources arises in the governmental funds' balance sheet when potential revenue does not meet both the measurable and available criteria for recognition in the current period. This unavailable revenue consists primarily of uncollected property taxes.

Cash and Investments

BURA maintains cash and investments in a common pool of the City. Investments with a remaining maturity of more than one year are reported in accordance with GASB Statement No. 31 and 72. Interest earned on the pooled cash and investments is allocated monthly based on the average cash balance as a proportion of the City's total pooled cash and investments. Additional disclosure on the cash and investments can be found in the Comprehensive Annual Financial Report of the City.

Receivables

In the fund financial statements, property taxes receivable which have been collected within 60 days subsequent to year-end, are measurable and available, and recognized as revenues. All other property taxes receivable are offset by deferred inflows of resources and, accordingly, have not been recorded as revenue in the fund financial statements. Property taxes become a lien against the property as of July 1 each year, and are payable in three installments on November 15, February 15, and May 15. Property taxes are levied on November 15. Taxes unpaid and outstanding as of May 16 are considered delinquent.

Deferred Inflow of resources

Deferred inflow of resources arises in the governmental funds' balance sheet when potential revenue does not meet both the measurable and available criteria for recognition in the current period. This deferred inflow of resources consists primarily of uncollected property taxes. In the government-wide Statement of Activities, with a full accrual basis of accounting, revenue is recognized as soon as it is earned regardless of its availability.

Fund Balance

In the fund financial statements, the fund balance for the governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Agency 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.

Net Position

Net position whose use is restricted for construction, debt service or by other agreement is segregated on the government-wide Statement of Net Position. When both restricted and unrestricted net positions are available, the Agency will apply restricted resources as appropriate, then unrestricted as necessary.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budget

The BURA budget is prepared in accordance with Oregon Local Budget Law. The BURA board legally adopts the budget, prepared on a modified accrual basis, by resolution before July 1. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The level of control by category (total personnel services, materials and services, capital outlay, and other expenditures) is established by resolution.

III. DETAILED NOTES ON ALL FUNDS

Pooled Deposits and Investments

BURA reported $4,574,404 as cash and investments on the Statement of Net Position. Additional disclosure relating to cash and investments can be found in the City's Comprehensive Annual Financial Report.

Receivables

Receivable for BURA ($52,035) represents the property tax receivables that were levied but not collected at the end of the fiscal year.

Capital assets

Capital assets for BURA is composed of land and improvements purchased for the future development and parking garage ($5,587,275) and construction in progress for the design of the parking garage ($963,659).

Deferred Inflow of Resources

As of June 30, 2019, BURA reported $42,427 unavailable revenue related to property tax revenues and $18,881 investment interest revenues as deferred inflows of resources.

Long-term debt

Beaverton Urban Renewal Agency (BURA) Non-Revolving Multi-Draw Line of Credit

In 2017 the City Council and BURA Board authorized a special revenue non-revolving line of credit not to exceed $19 million to provide financing for projects within the central Beaverton Urban Renewal Redevelopment District. The Letter of Credit is in the form of an Urban Renewal Note Series 2017, and sold in a negotiated sale to Key Bank. This debt is also commonly referred to as the Non-Revolving Multi-Draw Line of Credit, and the intent is to pay the interest due from BURA property tax increment. The Letter of Credit matures in 2022 and is likely to be paid from a BURA Special Revenue Bond solely based on future tax increment. Interest rate on the outstanding line of credit balance is a variable rate tied to the London Interbank Offered Rate (LIBOR) plus 1.90%. As of June 30, 2019, the LIBOR rate was 2.4024%. The interest rate for the unused portion of the line of credit is 25 basis points (.25%). During the fiscal year, BURA did not borrow any line of credit, and the outstanding principal balance as of June 30, 2019 is $2,921,900, and the interest expense was $164,193 for the year.

Property purchase note payable

In January 2018, the Agency entered into a four year property purchase contract at the interest rate of 3.9% to acquire approximately 1.43 acres of land and three buildings near City Hall. The property is comprised of three adjacent properties on SW Canyon Road and SW Beaverdam Road (known as Ludeman's property). This property was purchased for land assembly and redevelopment purposes consistent with the Central Beaverton Urban Renewal Plan. The remaining future maturities are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2020	$449,646	$54,687
2021	467,081	37,252
2022	485,505	18,935
TOTALS	$1,402,232	$110,874

In May 2019, continuing with the site assemblage for future development plan, the Agency entered into a 4 year purchase contract to acquire approximately .59 acres of land and improvement located near City Hall (known as Adelphos' property). After the initial $623,759 payment at closing, a $903,000 note payable was issued at annual interest rate of 5%, and the remaining maturities are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2020	$210,898	$38,647
2021	221,688	27,857
2022	233,030	16,515
2023	203,122	4,681
TOTALS	$868,738	$87,700

Fund Balance and Net Position

As of June 30, 2019, the Agency's General Fund reported $4,350,184 restricted fund balance or $5,742,212 total net position. The difference between the fund balance and net position is primarily due to the recognition of the line of credit proceeds and note payables as long-term liabilities in the Statement of Net Assets as well as capitalization of budgetary capital expenditures.

Tax Abatements

For the fiscal year ended June 30, 2019, BURA was subject to three tax abatement programs administered by the State of Oregon:

- The Enterprise Zone (E-Z) Program, administered by the State of Oregon, serves as an economic development incentive for investment in buildings, machinery and equipment mostly for the industrial or warehousing sectors. A minimal amount of job creation is also required. Depending on the wages and benefits offered, the tax exemption can extend past the normal period of three years and run as long as five years. The amount of exemption is limited to the value of the new property improvements for equipment or machinery. The amount of tax exemptions extends to all taxing jurisdictions including the City of Beaverton and the Beaverton Urban Redevelopment Agency (BURA). See ORS 285C.050 to 285C.2580 for eligibility information. Under this program, BURA's estimated tax abatement amount was $2,000 for the fiscal year.

- The Low Income Property Tax Exemption program is authorized by Oregon Statute (ORS 307.4580 to 307.548) and City Ordinance (Beaverton Code 3.20) and is designed to make rental housing units affordable for income-restricted tenants. The City's Community Development Department recommends applications for the tax exemption to the Oregon Department of Housing and Community Services. When approved the Washington County Department of Assessment and Taxation creates a record of the exemption for each eligible property. The exemption lasts as long as the property complies with the City's ordinance and statutes. The amount of tax exemptions extends to all taxing jurisdictions including the City of Beaverton and the Beaverton Urban Redevelopment Agency (BURA). Under this program, BURA's estimated tax abatement amount was $7,000 for the fiscal year.

- The Vertical Housing Development Zone program is authorized by Oregon Statutes (ORS 307.841 to 307.867) and is designed as an incentive for the development of higher density mixed use residential development with ground floor non-residential uses in areas well served by transit services. Prior to October 2017 the program was operated by the Oregon Department of Housing and Community Services. The legislature shifted operating responsibilities to local government units and the program is now operated by the City of Beaverton Community Development Department. When approved, the Washington County Department of Assessment and Taxation creates a record of the exemption for each eligible property. The exemption lasts for ten years as long as the property complies with the statutes. The amount of tax exemptions extends to all taxing jurisdictions. Under this program, the estimated tax exemption for the fiscal year was $3,000 for BURA.

Subsequent Event

In October 2019, the BURA Executive Director signed the agreement to purchase five adjacent properties (approximately 0.80 acre) located near the City Hall for $2.2 million. This purchase is made for the purpose of land assembly and redevelopment. (BURA Bill No. 2019-24).

REQUIRED SUPPLEMENTARY INFORMATION

BEAVERTON URBAN REDEVELOPMENT AGENCY
(A component unit of the City of Beaverton, Oregon)
BURA GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Property taxes:				
Current year's levy	$3,647,997	$3,647,997	$3,635,270	($12,727)
Prior year's levy	10,000	10,000	39,465	29,465
Rental of BURA property	95,100	95,100	95,500	400
Interest on investments	87,000	87,000	114,307	27,307
Miscellaneous revenues	2,200	2,200	4,058	1,858
TOTAL REVENUES	3,842,297	3,842,297	3,888,600	46,303
Expenditures:				
Materials and services	1,555,250	2,163,843	856,588	1,307,255
Contingency	4,410,843	2,521,374		2,521,374
TOTAL EXPENDITURES	5,966,093	4,685,217	856,588	3,828,629
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,123,796)	(842,920)	3,032,012	3,874,932
Other financing uses:				
Transfers out	(1,319,350)	(3,763,108)	(3,329,914)	433,194
NET CHANGE IN FUND BALANCE	(3,443,146)	(4,606,028)	(297,902)	4,308,126
FUND BALANCES - budgetary basis, Beginning of year	3,443,146	4,606,028	4,606,028	
FUND BALANCES - budgetary basis, End of year	$ ---	$ ---	$4,308,126	$4,308,126

Reconciliation of net change in fund balance - budgetary basis to GAAP basis

Net change in fund balance - budgetary basis	($297,902)
Investment adjustment to fair market value	80,629
Net change in fund balance - GAAP basis	($217,273)

OTHER SUPPLEMENTARY INFORMATION

BEAVERTON URBAN REDEVELOPMENT AGENCY
(A component unit of the City of Beaverton, Oregon)
BURA DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
Expenditures:				
Debt Service	$1,170,834	$3,614,592	$3,165,525	$449,067
Other financing sources:				
Transfers in	1,170,834	3,614,592	3,165,525	(449,067)
NET CHANGE IN FUND BALANCE	---	---	---	---
FUND BALANCES - budgetary basis, Beginning of year	---	---	---	---
FUND BALANCES - budgetary basis, End of year	$ ---	$ ---	$ ---	$ ---

Note: There is no difference between budgetary revenues and expenditures and GAAP revenues and expenditures..

Of the $3,165,525 debt service expenditures, $164,193 was for interest expense on line-of credit and $3,001,332 was a repayment of the "day-light loan" from the City of Beaverton.

BEAVERTON URBAN REDEVELOPMENT AGENCY
(A component unit of the City of Beaverton, Oregon)
BURA CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
Expenditures:				
Capital outlay	$1,014,334	$3,458,092	$3,001,738	$456,354
Other financing sources:				
Loan from City of Beaverton	1,014,334	3,458,092	3,001,332	(456,760)
Miscellaneous revenue			406	406
TOTAL OTHER FINANCING SOURCES	1,014,334	3,458,092	3,001,738	(456,354)
NET CHANGE IN FUND BALANCE	---	---	---	---
FUND BALANCES - budgetary basis, Beginning of year	---	---	---	---
FUND BALANCES - budgetary basis, End of year	$ ---	$ ---	$ ---	$ ---

Reconciliation of capital outlay expenditures - budgetary basis to GAAP basis

Capital outlay - budgetary basis	$3,001,738
Property acquired on installment debt (also GAAP other financing source)	903,000
Payments made on installament debt, principal (GAAP debt service expenditure)	(467,031)
Payments made on installament debt, interest (GAAP debt service expenditure)	(78,893)
Capital outlay - GAAP basis	$3,358,814

BEAVERTON URBAN REDEVELOPMENT AGENCY
(A component unit of the City of Beaverton, Oregon)
SCHEDULE OF PROPERTY TAX TRANSACTIONS
AND OUTSTANDING BALANCES
for the fiscal year ended June 30, 2019

	(1) Taxes Uncollected June 30, 2018	Add Levy Extended by Assessor	Add/(Deduct) Discounts Allowed	Add Interest Received	Deduct Cancellations and Adjustments	Add (Deduct) Settled Potential Refund Credits	Deduct Interest and Tax Collections	Taxes Uncollected June 30, 2019
2018-19		$3,778,790	($103,551)	$791	($10,612)	-	($3,627,363)	$38,055
2017-18	$33,168		$348	1,349	(14,355)	$19,600	(31,026)	9,084
2016-17	20,132		($135)	678	(8,456)	-	(8,752)	3,467
2015-16	9,927		($68)	491	(4,859)	-	(4,356)	1,135
2014-15	4,373		($88)	137	(847)	-	(3,355)	220
2013-14	1,331		($33)	8	(165)	-	(1,088)	53
2012-13 & Prior	362		($10)	3	(19)	-	(315)	21
	$69,293	$3,778,790	($103,537)	$3,457	($39,313)	$19,600	($3,676,255)	$52,035

Property Taxes Revenue Current Levy	Prior Years	Collections from July 1 2018 to August 31, 2018	Collections from July 1, 2019 to August 31, 2019	Collections to June 30, 2019	Taxes Uncollected June 30, 2019
$3,635,270	$39,465	$11,128	($9,608)	($3,676,255)	$52,035

(1) Includes $25,791 Comcast tax settlement amount.

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENTAL AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS

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Talbot, Korvola
& Warwick, LLP

4800 Meadows Road, Suite 200
Lake Oswego, OR 97035

P 503.274.2849
F 503.274.2853

www.tkw.com

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

Board Members
Beaverton Urban Redevelopment Agency
(A component unit of the City of Beaverton, Oregon)
Beaverton, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Beaverton Urban Redevelopment Agency (the Agency), a component unit of the City of Beaverton, Oregon, as of and for the year ended June 30, 2019, and the related notes to financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 12, 2019.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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INDEPENDENT AUDITOR'S REPORT (Continued)

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Talbot, Korvola & Warwick LLP

Lake Oswego, Oregon
December 12, 2019

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Talbot, Korvola
& Warwick, LLP

4800 Meadows Road, Suite 200
Lake Oswego, OR 97035

P 503.274.2849
F 503.274.2853

www.tkw.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH OREGON STATE REGULATIONS

Board Members
Beaverton Urban Redevelopment Agency
(A component unit of the City of Beaverton, Oregon)
Beaverton, Oregon

We have audited the financial statements of the governmental activities and each major fund of the Beaverton Urban Redevelopment Agency (the Agency), as of and for the year ended June 30, 2019, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 12, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

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 162-10-330 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 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

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INTERNAL CONTROL OVER FINANCIAL REPORTING

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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses and therefore, material weaknesses may exist that have not been identified. Given these limitations we did not identify any deficiencies in internal control that consider to be material weaknesses.

PURPOSE OF THIS REPORT

This report is intended solely for the information and use of the Board, 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, Korvola & Warwick LLP

Lake Oswego, Oregon
December 12, 2019