

Hillsboro Economic Development Council

City of Hillsboro, Oregon



Financial Statements for the Year Ended June 30, 2021

Hidden Creek Community Center

HILLSBORO ECONOMIC DEVELOPMENT COUNCIL
(A Component Unit of the City of Hillsboro, Oregon)

Basic Financial Statements
and Supplemental Information

Year Ended June 30, 2021

HILLSBORO ECONOMIC DEVELOPMENT COUNCIL
(A Component Unit of the City of Hillsboro, Oregon)

BOARD OF COUNCILORS

JUNE 30, 2021

		<u>Term Expires</u>
Steve Callaway, Chairperson		January 2025
Councilors:		
Kyle Allen, Council President	Ward 2, Position A	January 2023
Gina Roletto	Ward 3, Position B	January 2025
Beach Pace	Ward 1, Position A	January 2023
Rick Van Beveren	Ward 1, Position B	January 2025
Anthony Martin	Ward 2, Position B	January 2025
Olivia Alcaire	Ward 3, Position A	January 2023

Council Address

City of Hillsboro
150 East Main Street
Hillsboro, Oregon 97123

HILLSBORO ECONOMIC DEVELOPMENT COUNCIL
(A Component Unit of the City of Hillsboro, Oregon)

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Board of Councilors
Hillsboro Economic Development Council
(A component unit of the City of Hillsboro, Oregon)
Hillsboro, Oregon

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities and each major fund of the Hillsboro Economic Development Council (the Council), a component unit of the City of Hillsboro, Oregon, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Council'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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



INDEPENDENT AUDITOR'S REPORT (Continued)

Board of Councilors
Hillsboro Economic Development Council
(A component unit of the City of Hillsboro, Oregon)
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OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Council as of June 30, 2021, and the respective changes in its financial position and its respective budgetary comparison for the Downtown Hillsboro Capital Projects Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The Supplemental Information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplemental 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 Supplemental Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT (Continued)

Board of Councilors
Hillsboro Economic Development Council
(A component unit of the City of Hillsboro, Oregon)
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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 8, 2021 on our consideration of the Council'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 solely 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 the effectiveness of the Council's 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 Council'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 8, 2021, on our consideration of the Council'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.

By 
Timothy R. Gillette, Partner

Portland, Oregon
December 8, 2021

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MANAGEMENT'S DISCUSSION AND ANALYSIS

HILLSBORO ECONOMIC DEVELOPMENT COUNCIL
(A Component Unit of the City of Hillsboro, Oregon)

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2021

As management of the Hillsboro Economic Development Council (the Council), a component unit of the City of Hillsboro (the City), Oregon, we offer readers of the financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2021. The analysis focuses on significant financial issues, major financial activities, and resulting changes in financial position, budget changes and variances from the budget and specific issues related to funds and the economic factors affecting the Council, an urban renewal district.

Financial Highlights

- The Council's assets totaled approximately \$63.6 million at June 30, 2021 and consisted of approximately \$45.4 million in deposits and investments held by the City of Hillsboro and Washington County, approximately \$12 million in land held for resale, approximately \$4.7 million in non-depreciated capital assets, approximately \$720,000 in notes receivables and approximately \$750,000 in other receivables.
- Net position (assets minus liabilities) was approximately \$16.3 million at June 30, 2021.
- As of June 30, 2021, the Council had approximately \$45.8 million in outstanding notes payable.
- The Council's net position increased by approximately \$7.3 million from June 30, 2020, as a result of property tax revenue of approximately \$5.6 million, Fees, fines and charges for services of approximately \$3.4 million and earnings on investments of approximately \$390,000, offset by community development expenses of approximately \$1,986,000 and approximately \$686,000 in interest on long term debt.

Report Layout

The Council prepared its report to include this Management Discussion and Analysis (MD&A) section intended to provide users of the basic financial statements with a narrative introduction, overview, and analysis of those statements. Also included are the government-wide statements, fund financial statements and notes to basic financial statements. The first several statements are highly condensed and present a Council-wide view of the finances. Within this view, all the Council operations are categorized and reported as governmental activities.

Taken together, the sections provide a comprehensive financial look at the Council's operations. The individual components of the report layout include the following:

- **Management's Discussion and Analysis.** This section of the report provides financial highlights, overview and economic factors affecting the Council.
- **Basic Financial Statements.** Includes the Statement of Net Position, Statement of Activities, fund financial statements and the Notes to Basic Financial Statements. Statements of Net Position and Activities focus on an entity-wide presentation using the accrual basis of accounting. They are designed to resemble more closely private-sector financial statements in that all activities are consolidated into a total for the Council.
 - The Statement of Net Position focuses on resources available for future operations. This statement presents a snap-shot view of the assets, the liabilities it owes and the Council's net position.

HILLSBORO ECONOMIC DEVELOPMENT COUNCIL
(A Component Unit of the City of Hillsboro, Oregon)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2021

Report Layout (Continued)

- The Statement of Activities focuses on gross and net costs of the Council's programs and the extent to which such programs rely upon other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
 - Fund financial statements follow the more traditional presentation of financial statements. The Council's major governmental funds are presented.
 - The Notes to Basic Financial Statements provide additional disclosures to provide information to assist the reader in understanding the Council's financial condition.
- **Supplemental Information.** Readers desiring additional information can find it in this section of the report.
- **Independent Auditors' 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*.** Consists of information on the Council's compliance and internal controls in accordance with *Government Auditing Standards*.
- **Independent Auditor's Report Required by Oregon State Regulation.** Consists of information on the Council's compliance and internal controls as required by Oregon Revised Statutes.

Statement of Position

A condensed version of the Statement of Net Position as of June 30 is as follows:

	2021	2020
Deposits and investments held by the City of Hillsboro and county treasurer	\$ 45,352,746	\$ 11,789,320
Other current assets	750,081	126,973
Land held for resale	12,024,910	18,181,043
Notes receivable	719,596	727,182
Capital assets not being depreciated	4,703,007	-
Total assets	63,550,340	30,824,518
Current liabilities	1,426,471	61,736
Notes payable	45,816,000	21,800,000
Total liabilities	47,242,471	21,861,736
Net Position		
Net investment in capital assets	3,008,234	-
Restricted for capital projects	8,246,980	6,465,546
Restricted for debt service	5,052,655	2,497,236
Total net position	\$ 16,307,869	\$ 8,962,782

HILLSBORO ECONOMIC DEVELOPMENT COUNCIL
(A Component Unit of the City of Hillsboro, Oregon)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2021

Statement of Activities

The Council's Statement of Activities for the fiscal years ended June 30 is as follows:

	<u>2021</u>	<u>2020</u>
Revenues and contributions:		
Program revenues:		
Fees, fines and charges for services	\$ 3,351,065	\$ -
Operating grants and contributions	186,866	762
Capital grants and contributions	538,234	-
General revenues:		
Property taxes	5,551,130	4,424,101
Earnings on investments	389,973	246,518
Total revenues	<u>10,017,268</u>	<u>4,671,381</u>
Expenses:		
Community development	1,986,192	1,032,387
Interest on long term debt	685,989	432,258
Total expenses	<u>2,672,181</u>	<u>1,464,645</u>
Change in net position	7,345,087	3,206,736
Net position, beginning of year	<u>8,962,782</u>	<u>5,756,046</u>
Net position, end of year	<u>\$ 16,307,869</u>	<u>\$ 8,962,782</u>

The cost of the Council's activities totaled approximately \$2,672,000 for the year. Property taxes and operating revenues covered all expenses. Excess revenues have increased ending net position.

Capital Assets

The Council had invested approximately \$4.7 million in capital assets, net of depreciation, at June 30, 2021, as reflected in the following table.

	<u>2021</u>	<u>2020</u>
Land	\$ 538,234	\$ -
Construction in progress	4,164,773	-
Total capital assets, net	<u>\$ 4,703,007</u>	<u>\$ -</u>

Additional information on the Commission's capital assets may be found in Notes 1 and 2 in the Notes to Basic Financial Statements.

HILLSBORO ECONOMIC DEVELOPMENT COUNCIL
(A Component Unit of the City of Hillsboro, Oregon)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2021

Budgetary Highlights

There was a supplemental budget done during the fiscal year to recognize potential loan proceeds, corresponding debt service and expenditure of the loan proceeds. New debt was issued in the North Hillsboro Urban Renewal District in June 2021, but expenditure did not occur during the fiscal year.

Debt Administration

As of year-end June 30, 2021, the Council had approximately \$45.8 million in notes payable compared to approximately \$21.8 million outstanding in fiscal year 2020. Approximately \$1.58 million of the Council's debt at June 30, 2021, is due within one year. The Council entered into a loan agreement in November 2019 for \$23 million to fund land acquisition, transportation, utility, and trail infrastructure, wetland management and other improvements in the North Hillsboro Industrial Urban Renewal Area. The Council entered into a second loan agreement in June 2021 for \$25.3 million to fund land acquisition, transportation, utility, and trail infrastructure, wetland management and other improvements in the North Hillsboro Industrial Urban Renewal Area. Further information may be found in Note 4 of the Notes to the Basic Financial Statements.

Note Receivable

The Council issued a \$775,000 loan in July of 2015, to a local business for the establishment of a professional theatre in the urban renewal district. The note bears an annual interest rate of 1% commencing September 15, 2015, compounded monthly. The interest increases to 7% in the event of default. Principal and interest payment commenced September 15, 2017, monthly for a period of 20 years. The outstanding principal as of June 30, 2021, is \$719,596. Options of forgivable interest are included in the note for prepayment. During the fiscal year, the City agreed to defer nine months of payment and interest accrual during the COVID-19 Pandemic from November 2020 through July 2021. This has resulted in an updated maturity schedule to reflect the change.

Economic Factors

The Council was established as an urban renewal agency in the late 1980's. The projects under the original urban renewal district have been completed. After the Council approved the establishment of the Downtown Hillsboro Urban Renewal Area in May 2010, collection of tax increment property tax revenues began in fiscal year 2011-12. In addition to this approved Area, the Council approved another urban renewal area in fiscal year 2015-16 which is referred to as the North Hillsboro Industrial Urban Renewal Area. Collection of revenue began in fiscal year 2016-17.

Financial Contact

The Council's financial statements are designed to present users including taxpayers, citizens, customers, investors and creditors with a general overview of the Council's finances and overall accountability. If you have questions about the contents of this report, or need additional financial information, please contact the City of Hillsboro's Finance Director at 150 East Main St., Hillsboro, OR 97123. Financial information for current and prior years is also available at www.hillsboro-oregon.gov.

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BASIC FINANCIAL STATEMENTS

HILLSBORO ECONOMIC DEVELOPMENT COUNCIL
(A Component Unit of the City of Hillsboro, Oregon)

STATEMENT OF NET POSITION

JUNE 30, 2021

ASSETS

Deposits and investments held by the City of Hillsboro	\$ 45,339,157
Collections held by county treasurer	13,589
Property taxes receivable	77,642
Accounts receivable	672,439
Land held for resale	12,024,910
Noncurrent asset:	
Note receivable, due within one year	20,991
Note receivable, due in more than one year	698,605
Capital assets not being depreciated	4,703,007
	<hr/>
TOTAL ASSETS	63,550,340

LIABILITIES

Accounts payable	1,356,568
Accrued interest payable	69,903
Noncurrent liabilities:	
Due within one year	1,575,000
Due in more than one year	44,241,000
	<hr/>
TOTAL LIABILITIES	47,242,471

NET POSITION

Net investment in capital assets	3,008,234
Restricted for capital projects	8,246,980
Restricted for debt service	5,052,655
	<hr/>
TOTAL NET POSITION	\$ 16,307,869

See notes to basic financial statements.

HILLSBORO ECONOMIC DEVELOPMENT COUNCIL
(A Component Unit of the City of Hillsboro, Oregon)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

ACTIVITY	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Expense and Change in Net Position
GOVERNMENTAL ACTIVITIES:					
Community development	\$ 1,986,192	\$ 3,351,065	\$ 186,866	\$ 538,234	\$ 2,089,973
Interest on long term debt	<u>685,989</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(685,989)</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 2,672,181</u>	<u>\$ 3,351,065</u>	<u>\$ 186,866</u>	<u>\$ 538,234</u>	<u>1,403,984</u>
GENERAL REVENUES AND CONTRIBUTIONS:					
Property taxes					5,551,130
Earnings on investments					<u>389,973</u>
TOTAL GENERAL REVENUES AND CONTRIBUTIONS					<u>5,941,103</u>
CHANGE IN NET POSITION					7,345,087
NET POSITION - beginning					<u>8,962,782</u>
NET POSITION - ending					<u>\$ 16,307,869</u>

See notes to basic financial statements.

HILLSBORO ECONOMIC DEVELOPMENT COUNCIL
(A Component Unit of the City of Hillsboro, Oregon)

**BALANCE SHEET -
GOVERNMENTAL FUNDS**

JUNE 30, 2021

	Downtown Hillsboro Capital Projects	North Hillsboro Industrial Capital Projects	Downtown Hillsboro Debt Service	North Hillsboro Industrial Debt Service	Total
ASSETS:					
Deposits and investments held by the City of Hillsboro	\$ 412,683	\$ 41,599,642	\$ 1,897,739	\$ 1,429,093	\$ 45,339,157
Collections held by county treasurer	-	-	4,233	9,356	13,589
Property taxes receivable	-	-	24,174	53,468	77,642
Accounts receivable	1,206	661,511	5,546	4,176	672,439
Land held for resale	-	12,024,910	-	-	12,024,910
TOTAL ASSETS	<u>\$ 413,889</u>	<u>\$ 54,286,063</u>	<u>\$ 1,931,692</u>	<u>\$ 1,496,093</u>	<u>\$ 58,127,737</u>
LIABILITIES:					
Accounts payable	\$ 33,755	\$ 1,322,813	-	-	\$ 1,356,568
TOTAL LIABILITIES	<u>33,755</u>	<u>1,322,813</u>	<u>-</u>	<u>-</u>	<u>1,356,568</u>
DEFERRED INFLOW OF RESOURCES:					
Unavailable revenue - property taxes	-	-	18,731	40,975	59,706
TOTAL DEFERRED INFLOW OF RESOURCES:	<u>-</u>	<u>-</u>	<u>18,731</u>	<u>40,975</u>	<u>59,706</u>
FUND BALANCES:					
Restricted for debt service	-	-	1,912,961	1,455,118	3,368,079
Restricted for capital projects	380,134	52,963,250	-	-	53,343,384
TOTAL FUND BALANCES	<u>380,134</u>	<u>52,963,250</u>	<u>1,912,961</u>	<u>1,455,118</u>	<u>56,711,463</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES	<u>\$ 413,889</u>	<u>\$ 54,286,063</u>	<u>\$ 1,931,692</u>	<u>\$ 1,496,093</u>	<u>\$ 58,127,737</u>

See notes to basic financial statements.

HILLSBORO ECONOMIC DEVELOPMENT COUNCIL
(A Component Unit of the City of Hillsboro, Oregon)

**RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

JUNE 30, 2021

TOTAL FUND BALANCE	\$ 56,711,463
A portion of the Council's property taxes are collected after year-end, but are not available soon enough to pay for the current year's operations, and therefore are not reported as revenue in the governmental funds.	59,706
Long-term assets, including notes receivable and related interest receivable, are not due and receivable in the current period and, therefore, are not reported in the funds.	719,596
Capital assets are not financial resources and therefore are not reported in the governmental funds.	4,703,007
Accrued interest payable as of the end of the fiscal year is not payable in the current period, and therefore, is not reported in the funds.	(69,903)
Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(45,816,000)</u>
TOTAL NET POSITION	<u>\$ 16,307,869</u>

See notes to basic financial statements.

HILLSBORO ECONOMIC DEVELOPMENT COUNCIL
(A Component Unit of the City of Hillsboro, Oregon)

**STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES
(USES), AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS**

YEAR ENDED JUNE 30, 2021

	Downtown Hillsboro Capital Projects	North Hillsboro Industrial Capital Projects	Downtown Hillsboro Debt Service	North Hillsboro Industrial Debt Service	Total
REVENUES:					
Property taxes	\$ -	\$ -	\$ 1,627,804	\$ 3,913,658	\$ 5,541,462
Development charges	-	3,351,065	-	-	3,351,065
Interest income	9,054	316,280	22,181	42,458	389,973
Note receivable:					
Principal collected	7,586	-	-	-	7,586
Other income	-	186,000	433	433	186,866
TOTAL REVENUES	16,640	3,853,345	1,650,418	3,956,549	9,476,952
EXPENDITURES:					
Contractually paid					
personnel services	-	138,924	-	-	138,924
Materials and services	269,101	205,693	-	-	474,794
Debt service	-	-	-	1,939,260	1,939,260
Other expenditures	800,000	706,946	-	-	1,506,946
Capital outlay:					
General government	-	4,030,301	-	-	4,030,301
TOTAL EXPENDITURES	1,069,101	5,081,864	-	1,939,260	8,090,225
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,052,461)	(1,228,519)	1,650,418	2,017,289	1,386,727
OTHER FINANCING SOURCES (USES):					
Transfers in	800,000	2,000,000	-	-	2,800,000
Transfers out	-	-	(800,000)	(2,000,000)	(2,800,000)
Notes payable issued	-	25,286,000	-	-	25,286,000
TOTAL OTHER FINANCING SOURCES (USES):	800,000	27,286,000	(800,000)	(2,000,000)	25,286,000
NET CHANGE IN FUND BALANCE	(252,461)	26,057,481	850,418	17,289	26,672,727
FUND BALANCE - BEGINNING	632,595	26,905,769	1,062,543	1,437,829	30,038,736
FUND BALANCE - ENDING	\$ 380,134	\$ 52,963,250	\$ 1,912,961	\$ 1,455,118	\$ 56,711,463

See notes to basic financial statements.

HILLSBORO ECONOMIC DEVELOPMENT COUNCIL
(A Component Unit of the City of Hillsboro, Oregon)

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES),
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2021

NET CHANGE IN FUND BALANCE		\$ 26,672,727
<p>The change in net position reported in the Statement of Activities is different because:</p> <p>Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is capitalized, and as needed, allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital asset additions - purchased	4,164,773	
Capital asset additions - contributed/dedicated	538,234	4,703,007
<p>Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds.</p>		
		9,668
<p>The collection of the principal of long-term note receivable increases the current financial resources of governmental funds. This is the amount of current year note receivable principal and accrued interest collected.</p>		
		(7,586)
<p>Interest on long term debt is recognized as expense when paid in the current financial resources of governmental funds, but in the economic resources measurement focus, expenses are recorded at the time liabilities are incurred.</p>		
		(16,729)
<p>The issuance of long-term debt (e.g. notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The amount is net effect of these differences in the treatment of long-term debt and related items.</p>		
Issuance of note payable		(25,286,000)
Notes payable principal repayment		1,270,000
CHANGE IN NET POSITION		\$ 7,345,087

See notes to basic financial statements.

HILLSBORO ECONOMIC DEVELOPMENT COUNCIL
(A Component Unit of the City of Hillsboro, Oregon)

**STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING
SOURCES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

DOWNTOWN HILLSBORO CAPITAL PROJECTS FUND

YEAR ENDED JUNE 30, 2021

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE:				
Note receivable principal collected	\$ 22,833	\$ 22,833	\$ 7,586	\$ (15,247)
Interest	27,167	27,167	9,054	(18,113)
TOTAL REVENUES	50,000	50,000	16,640	(33,360)
EXPENDITURES:				
Personnel services	49,830	49,830	-	49,830
Materials and services	777,000	777,000	269,101	507,899
Capital outlay	12,193,170	12,193,170	-	12,193,170
Special expenditures	800,000	800,000	800,000	-
TOTAL EXPENDITURES	13,820,000	13,820,000	1,069,101	12,750,899
EXCESS OF EXPENDITURES OVER REVENUES	(13,770,000)	(13,770,000)	(1,052,461)	12,717,539
OTHER FINANCING SOURCES:				
Transfers in	800,000	800,000	800,000	-
Notes payable issued	11,500,000	11,500,000	-	(11,500,000)
TOTAL OTHER FINANCING SOURCES	12,300,000	12,300,000	800,000	(11,500,000)
NET CHANGE IN FUND BALANCE	(1,470,000)	(1,470,000)	(252,461)	1,217,539
FUND BALANCE - BEGINNING	1,470,000	1,470,000	632,595	(837,405)
FUND BALANCE - ENDING	\$ -	\$ -	\$ 380,134	\$ 380,134

See notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

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HILLSBORO ECONOMIC DEVELOPMENT COUNCIL
(A Component Unit of the City of Hillsboro, Oregon)

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Hillsboro Economic Development Council (the Council) is the urban renewal agency of the City of Hillsboro, Oregon (the City). It was organized in 1989 to assist in the redevelopment of targeted areas of the City through tax increment financing.

The Council's basic financial statements include all activities and organizations over which the Council exercises authoritative appointment of governing authority or where financial dependency on the Council exists. The Council is considered to be a component unit of the City and, as such, is included in the City's financial statements. Copies of the City's financial statements can be obtained from the Finance Department of the City at 150 East Main Street, Hillsboro, Oregon 97123.

Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Council, including all of its financial activities. The Council is funded with tax increment property taxes, development fees, and other program income.

The Statement of Activities presents a comparison between direct expenses and program revenues for the Council's programs. The Council does not allocate indirect expenses. Program revenues include operating grants and contributions, and development fees that are restricted to meeting operational requirements. Revenues that are not classified as program revenues, including earnings on investments, and property taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the Council's funds. The emphasis of fund financial statements is on major funds, each displayed in a separate column.

For the purpose of management review in presentation, the Council reports all funds as major funds:

- Downtown Hillsboro Capital Projects Fund (acts as the general fund for the Council)
- North Hillsboro Industrial Capital Projects Fund
- Downtown Hillsboro Debt Service Fund
- North Hillsboro Industrial Debt Service Fund

These funds account for the general administration of the Council's urban renewal agency and to stimulate economic growth within the designated urban renewal areas.

HILLSBORO ECONOMIC DEVELOPMENT COUNCIL
(A Component Unit of the City of Hillsboro, Oregon)

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

Government-wide financial statements report using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Council receives value without giving equal value in exchange, include tax increment revenue, grants, entitlements and donations. On the accrual basis of accounting, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Council considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Tax increment revenue is considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from debt and acquisitions under capital leases are reported as other financing sources and uses, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Deposits and Investments Held by the City of Hillsboro

All deposits and investments are held by the City of Hillsboro on behalf of the Council. The Council considers these items as a demand deposit account, whereby funds may be deposited or withdrawn without prior notice or penalty. Interest earnings are allocated from the City based on the proportion of the Council's funds to the total of the City of Hillsboro funds.

Land Held for Resale

Land is acquired by the Council for subsequent resale for redevelopment and incentive purposes. Land held for resale is reported as an asset at the lower of cost or estimated realizable value.

Capital Assets

Capital assets are recorded at cost or estimated cost if actual cost is not known. Donated capital assets are recorded at their estimated fair value at the date of donation. Major outlays for capital assets and improvements are capitalized. All costs associated with the acquisition or construction of capital assets, are funded with unrestricted net position. The Council defines capital assets as assets with an initial cost of more than \$15,000 and an estimated life of one year or more. The costs of normal repairs and maintenance that do not add to the value of the assets or materially extend their lives are not capitalized.

HILLSBORO ECONOMIC DEVELOPMENT COUNCIL
(A Component Unit of the City of Hillsboro, Oregon)

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pension Plan and Other Post Employment Benefits

The Council's employees are employees of the City of Hillsboro; therefore, no pension or other post employment benefit costs are attributable to the Council.

Risk Management

The Council is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; and natural disasters for which the Board of Councilors carries commercial insurance. The Council does not engage in risk financing activities where the risk is retained (self-insurance). Settled claims have not reached the level of commercial coverage in any of the past three fiscal years.

Fund Balance

While not all categories are presently in use, fund balance can be presented in five categories. The fund balance categories are:

- Non-spendable – Includes items not in spendable form, such as prepaid items and inventory, and items legally or contractually required to be maintained intact, such as endowments.
- Restricted – Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.
- Committed – Includes items committed by the Council's Board of Councilors, by formal resolution which is the highest level of action taken by the Board.
- Assigned – Includes items assigned by specific uses, authorized by the City of Hillsboro's City Manager and/or Finance Director.
- Unassigned – This is the residual classification within the capital projects fund used for those balances not assigned to another category.

The Board of Councilors approved action to authorize commitments of fund balance. Council has authorized the City of Hillsboro City Manager and/or Finance Director to make assignments of ending fund balance (which can be made at any time, including after the fiscal year end date).

The order of spending fund balance has been approved by the Board of Councilors for use in the following order:

1. Restricted Fund Balance
2. Committed Fund Balance
3. Assigned Fund Balance
4. Unassigned Fund Balance

HILLSBORO ECONOMIC DEVELOPMENT COUNCIL
(A Component Unit of the City of Hillsboro, Oregon)

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets

Annual budgets are adopted on the modified accrual basis of accounting for each fund. The budgetary process begins by appointing Budget Committee members each year. Budget recommendations are developed by management and staff through early spring, with the Budget Committee approving the budget document in late spring. Public notices of the budget hearing are published prior to the public hearing held in June. The Board of Councilors adopts the budget and authorizes appropriations no later than June 30.

The ordinance authorizing appropriations sets the level by which expenditures cannot legally exceed appropriations. The level of budgetary control is set at the personnel services, materials and services, capital outlay, special expenditures, debt service, operating transfers and contingency category levels. Unexpected additional resources may be added to the budget through the use of a supplemental budget and transfers of appropriation resolutions. Supplemental budgets less than 10% of the fund’s original budget may be adopted by the Board of Councilors at a regular Board meeting. A supplemental budget greater than 10% of the fund’s original budget requires hearings before the public, publication in newspapers and approval by the Board of Councilors. Original and supplemental budgets may be modified by the use of appropriation transfers between category levels. Such transfers require approval by the Board of Councilors. One supplemental budget was adopted during the year. All annual appropriations lapse at fiscal year-end.

2. CAPITAL ASSETS

Capital assets are comprised of:

	Balance June 30, 2020	Increases	Balance June 30, 2021
Capital assets not being depreciated:			
Land	\$ -	\$ 538,234	\$ 538,234
Construction in progress	-	4,164,773	4,164,773
	\$ -	\$ 4,703,007	\$ 4,703,007

3. NOTE RECEIVABLE

On July 9, 2015, the Council issued a \$775,000 loan to a local business for the establishment of a professional theatre in the downtown urban renewal district. The note bears an annual interest rate of 1% commencing September 15, 2015, compounded monthly. The interest increases to 7% in the event of default. Principal and interest payment commenced September 15, 2017, monthly for a period of 20 years. The outstanding principal balance of the note at June 30, 2021, was \$719,596, with a current portion due of \$20,991. Options of forgivable interest are included in the note for prepayment.

During the fiscal year, the City agreed to defer nine months of payment and interest accrual during the COVID-19 Pandemic from November 2020 through July 2021. This has resulted in an updated maturity schedule to reflect the change.

HILLSBORO ECONOMIC DEVELOPMENT COUNCIL
(A Component Unit of the City of Hillsboro, Oregon)

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2021

4. LONG-TERM DEBT

Notes Payable

	Original Amount	Outstanding June 30, 2020	Increase	Decrease	Outstanding June 30, 2021
Urban Renewal Series 2019 note; interest at 3.07%, semi-annual payments of principal and interest December 1 and June 1 of each year, due 2034	\$ 23,000,000	\$ 21,800,000	\$ -	\$ 1,270,000	\$ 20,530,000
Urban Renewal Series 2021 note; interest at 3.18%, semi-annual payments of principal and interest December 1 and June 1 of each year, due 2036	25,286,000	-	25,286,000	-	25,286,000
	\$ 48,286,000	\$ 21,800,000	\$ 25,286,000	\$ 1,270,000	45,816,000
Current portion					(1,575,000)
Long-term portion					\$ 44,241,000

Future maturities are as follows:

Fiscal Year	Note Payable	
	Principal	Interest
2022	\$1,575,000	\$1,387,460
2023	2,040,000	1,385,721
2024	2,508,000	1,322,332
2025	2,689,000	1,244,109
2026	2,870,000	1,160,174
2027-2031	15,756,000	4,398,703
2032-2036	18,378,000	1,777,057
	\$ 45,816,000	\$ 12,675,556

5. TRANSFERS TO/FROM OTHER FUNDS

Transfers were made from the Downtown Hillsboro Debt Service Fund to the Downtown Capital Projects Fund in the amount of \$800,000 for the purpose of funding downtown revitalization activities. Transfers from the North Hillsboro Industrial Debt Service Fund to the North Hillsboro Industrial Capital Projects Fund were made in the amount of \$2,000,000 for the purpose of property acquisition in the North Hillsboro Industrial Area.

HILLSBORO ECONOMIC DEVELOPMENT COUNCIL
(A Component Unit of the City of Hillsboro, Oregon)

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2021

6. TAX ABATEMENT

The Council's tax increment fund revenues were reduced under agreements entered into by the City of Hillsboro and Washington County for the year ended June 30, 2021 as follows:

<u>Tax Abatement Program</u>	<u>Amount of Property Taxes Abated</u>
Strategic Investment Program	\$ 5,057,000
Enterprise Zone	262,000
Vertical Housing	30,000
Low Income Housing	11,000

7. SUBSEQUENT EVENTS

On October 21, 2021, the Council closed on the purchase of Land Held for Resale for approximately \$23.3 million, utilizing unspent note payable proceeds as of June 30, 2021 in the Hillsboro Economic Development Council North Hillsboro Industrial Fund.

On December 7, 2021, the Council authorized a supplemental budget to increase authority for property acquisition by approximately \$27 million. Related to these activities, the Council has signed two purchase and sale agreements for land to be held for resale, and has paid earnest money towards the properties. Due diligence and closing dates are pending, so further facts are unavailable for disclosure.

SUPPLEMENTAL INFORMATION

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HILLSBORO ECONOMIC DEVELOPMENT COUNCIL
(A Component Unit of the City of Hillsboro, Oregon)

**SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING
SOURCES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

NORTH HILLSBORO INDUSTRIAL CAPITAL PROJECTS FUND

YEAR ENDED JUNE 30, 2021

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE:				
Development charges	\$ -	\$ -	\$ 3,351,065	\$ 3,351,065
Interest	100,000	100,000	316,280	216,280
Other	-	-	186,000	186,000
TOTAL REVENUES	100,000	100,000	3,853,345	3,753,345
EXPENDITURES:				
Personnel services	75,760	145,760	138,924	6,836
Materials and services	1,593,672	1,593,672	205,693	1,387,979
Capital outlay	770,568	25,357,568	4,258,856	21,098,712
Special expenditures	5,200,000	5,705,000	698,193	5,006,807
TOTAL EXPENDITURES	7,640,000	32,802,000	5,301,666	27,500,334
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(7,540,000)	(32,702,000)	(1,448,321)	31,253,679
OTHER FINANCING SOURCES:				
Transfers in	2,000,000	2,000,000	2,000,000	-
Proceeds of sale of capital asset	-	-	6,375,935	6,375,935
Notes payable issued	-	25,162,000	25,286,000	124,000
TOTAL OTHER FINANCING SOURCES	2,000,000	27,162,000	33,661,935	6,499,935
NET CHANGE IN FUND BALANCE	(5,540,000)	(5,540,000)	32,213,614	37,753,614
FUND BALANCE - BEGINNING	5,540,000	5,540,000	8,724,726	3,184,726
FUND BALANCE - ENDING	\$ -	\$ -	\$ 40,938,340	\$ 40,938,340
RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS				
NET CHANGE IN FUND BALANCE			\$ 32,213,614	
Land held for resale - acquired			228,555	
Land held for resale - sold			(6,384,688)	
CHANGE IN FUND BALANCE - GAAP BASIS			\$ 26,057,481	

HILLSBORO ECONOMIC DEVELOPMENT COUNCIL
(A Component Unit of the City of Hillsboro, Oregon)

**SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING
USES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

DOWNTOWN HILLSBORO DEBT SERVICE FUND

YEAR ENDED JUNE 30, 2021

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes - current	\$ 1,361,000	\$ 1,361,000	\$ 1,611,495	\$ 250,495
Property taxes - prior years	30,000	30,000	16,309	(13,691)
Interest income	20,000	20,000	22,181	2,181
Other income	-	-	433	433
TOTAL REVENUES	1,411,000	1,411,000	1,650,418	239,418
EXPENDITURES:				
Debt service	600,000	600,000	-	600,000
Contingency	149,000	149,000	-	149,000
TOTAL EXPENDITURES	749,000	749,000	-	749,000
EXCESS OF REVENUES OVER EXPENDITURES	662,000	662,000	1,650,418	988,418
OTHER FINANCING USES:				
Transfers out	(800,000)	(800,000)	(800,000)	-
NET CHANGE IN FUND BALANCE	(138,000)	(138,000)	850,418	988,418
FUND BALANCE - BEGINNING	138,000	138,000	1,062,543	924,543
FUND BALANCE - ENDING	\$ -	\$ -	\$ 1,912,961	\$ 1,912,961

HILLSBORO ECONOMIC DEVELOPMENT COUNCIL
(A Component Unit of the City of Hillsboro, Oregon)

**SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING
USES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

NORTH HILLSBORO INDUSTRIAL DEBT SERVICE FUND

YEAR ENDED JUNE 30, 2021

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes - current	\$ 3,170,000	\$ 3,170,000	\$ 3,881,003	\$ 711,003
Property taxes - prior years	11,000	11,000	32,655	21,655
Interest income	75,000	75,000	42,458	(32,542)
Other income	-	-	433	433
TOTAL REVENUES	<u>3,256,000</u>	<u>3,256,000</u>	<u>3,956,549</u>	<u>700,549</u>
EXPENDITURES:				
Capital outlay	771,740	771,740	-	771,740
Debt service	1,939,260	1,939,260	1,939,260	-
TOTAL EXPENDITURES	<u>2,711,000</u>	<u>2,711,000</u>	<u>1,939,260</u>	<u>771,740</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>545,000</u>	<u>545,000</u>	<u>2,017,289</u>	<u>1,472,289</u>
OTHER FINANCING USES:				
Transfers out	(2,000,000)	(2,000,000)	(2,000,000)	-
NET CHANGE IN FUND BALANCE	<u>(1,455,000)</u>	<u>(1,455,000)</u>	<u>17,289</u>	<u>1,472,289</u>
FUND BALANCE - BEGINNING	<u>1,455,000</u>	<u>1,455,000</u>	<u>1,437,829</u>	<u>(17,171)</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,455,118</u>	<u>\$ 1,455,118</u>

HILLSBORO ECONOMIC DEVELOPMENT COUNCIL
(A Component Unit of the City of Hillsboro, Oregon)

SCHEDULE OF PROPERTY TAX TRANSACTIONS

YEAR ENDED JUNE 30, 2021

<u>Tax Year</u>	<u>Uncollected June 30, 2020</u>	<u>Levy as Extended by Assessor</u>	<u>Discounts Allowed</u>	<u>Interest</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Uncollected June 30, 2021</u>
Current Year							
2020-21	\$ -	\$ 5,717,034	\$ (155,239)	\$ 1,296	\$ (14,677)	\$ (5,492,498)	\$ 55,916
Prior Years							
2019-20	47,423	\$ -	\$ 6	\$ 1,477	\$ (216)	\$ (33,445)	15,245
2018-19	11,048	-	1	777	161	(7,266)	4,721
2017-18	3,236	-	-	401	(24)	(2,406)	1,207
2016-17	841	-	-	123	(32)	(623)	309
2015-16	148	-	-	12	(8)	(49)	103
2014-15 & Prior	159	-	-	14	24	(56)	141
Total	\$ 62,855	\$ 5,717,034	\$ (155,232)	\$ 4,100	\$ (14,772)	\$ (5,536,343)	\$ 77,642

RECONCILIATION OF TAX COLLECTIONS TO TAX REVENUES:	<u>Tax Collections Above</u>	<u>Change in Taxes Subject to Accrual</u>	<u>Property Tax Revenues</u>
	\$ 5,536,343	\$ 5,119	\$ 5,541,462

**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 GOVERNMENT AUDITING STANDARDS**

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**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 GOVERNMENT AUDITING STANDARDS**

Board of Councilors
Hillsboro Economic Development Council
(A component unit of the City of Hillsboro, Oregon)
Hillsboro, 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 Hillsboro Economic Development Council (the Council), a component unit of the City of Hillsboro, Oregon, as of and for the year ended June 30, 2021, and the related notes to financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated December 8, 2021.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) as a basis for designing 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 Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council'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.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Council'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 financial statements. 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*.



**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 GOVERNMENT AUDITING STANDARDS (Continued)**

Board of Councilors
Hillsboro Economic Development Council
(A component unit of the City of Hillsboro, Oregon)
Page 2

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 Council'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 Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Talbot, Kowala & Warwick LLP

Portland, Oregon
December 8, 2021

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

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**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 of Councilors
Hillsboro Economic Development Council
(A component unit of the City of Hillsboro, Oregon)
Hillsboro, Oregon

We have audited the financial statements of the governmental activities and each major fund of Hillsboro Economic Development Council (the Council), a component unit of the City of Hillsboro, Oregon, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated December 8, 2021. 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.

COMPLIANCE

As part of obtaining reasonable assurance about whether the Council'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 Council was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, except for the following:

- Notice for the budget committee meeting on May 12, 2021 was not published as required by ORS 294.426.

**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 (Continued)**

Board of Councilors
Hillsboro Economic Development Council
(A component unit of the City of Hillsboro, Oregon)
Page 2

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Council'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 Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council'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. *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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

PURPOSE OF THIS REPORT

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

Portland, Oregon
December 8, 2021