

OFFICIAL STATEMENT DATED JANUARY 15, 2026

\$91,805,000
City of Hillsboro
Washington County, Oregon
Full Faith and Credit Bonds, Series 2026

DATED: January 29, 2026 ("Date of Delivery")

DUE: June 1, as shown on the inside cover

PURPOSE— The \$91,805,000 Full Faith and Credit Bonds, Series 2026 (the "Bonds") are being issued by the City of Hillsboro (the "City"), located in Washington County, Oregon. The Bonds are being issued to finance recreation projects, a police headquarters and a fire station. See "Purpose and Use of Proceeds" herein.

MOODY'S RATING— "Aa1". See "Rating" herein.

NOT BANK QUALIFIED— The City has NOT designated the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended (the "Code").

BOOK-ENTRY ONLY SYSTEM— The Bonds will be issued, executed and delivered in fully registered form under a book-entry only system and registered in the name of Cede & Co., as owner and nominee for The Depository Trust Company ("DTC"). DTC will act as initial securities depository for the Bonds. Individual purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased.

PRINCIPAL AND INTEREST PAYMENTS— Interest on the Bonds will be paid on December 1, 2026 and semiannually thereafter on December 1 and June 1 of each year to the maturity or earlier redemption of the Bonds. Principal of and interest on the Bonds will be payable by the City's Paying Agent, initially U.S. Bank Trust Company, National Association, to DTC which, in turn, will remit such principal and interest to the DTC participants for subsequent disbursement to the beneficial owners of the Bonds at the address appearing upon the registration books on the 15th day of the month preceding a payment date (the "Record Date").

MATURITY SCHEDULE—See inside front cover.

REDEMPTION— The Bonds are subject to redemption prior to their stated maturities as further described herein.

SECURITY— The Bonds are secured by and payable from all lawfully available funds of the City. Pursuant to ORS 287A.315, the City has pledged its full faith and credit and taxing power within the limitations of Sections 11 and 11b, Article XI of the Oregon Constitution to pay the Bonds. The obligation of the City to make payments is a full faith and credit obligation of the City, and is not subject to appropriation. The Beneficial Owners of the Bonds do not have a lien or security interest on the property financed with the proceeds of the Bonds. The Bonds do not constitute a debt or indebtedness of Washington County, the State of Oregon, or any political subdivision thereof other than the City.

TAX MATTERS— *In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the District ("Bond Counsel"), under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code, however, interest on the Bonds is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. In the opinion of Bond Counsel, interest on the Bonds is exempt from State of Oregon personal income tax under existing law. See "Tax Matters" herein for a discussion of the opinion of Bond Counsel.*

DELIVERY— The Bonds are offered for sale to the original purchaser subject to the final approving legal opinion of Bond Counsel. It is expected that the Bonds will be available for delivery to the Paying Agent for Fast Automated Securities Transfer on behalf of DTC, on or about the Date of Delivery.

This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

City of Hillsboro
Washington County, Oregon
Full Faith and Credit Bonds, Series 2026

DATED: Date of Delivery

DUE: June 1, as shown below

MATURITY SCHEDULE—

Due June 1				CUSIP® 432092	Due June 1				CUSIP® 432092
Interest Rate	Yield	Amount	June 1	Interest Rate	Yield	Amount	June 1		
5.000%	2.270%	\$ 1,485,000	2027	5.000%	2.890% ⁽¹⁾	\$ 4,635,000	2037	UA0	
5.000	2.290	2,990,000	2028	5.000	3.020 ⁽¹⁾	4,870,000	2038	UB8	
5.000	2.260	3,140,000	2029	5.000	3.110 ⁽¹⁾	5,110,000	2039	UC6	
5.000	2.310	3,295,000	2030	5.000	3.210 ⁽¹⁾	5,365,000	2040	UD4	
5.000	2.330	3,460,000	2031	4.000	3.580 ⁽¹⁾	5,635,000	2041	UE2	
5.000	2.410	3,635,000	2032	4.000	3.710 ⁽¹⁾	5,860,000	2042	UF9	
5.000	2.480	3,815,000	2033	4.000	3.830 ⁽¹⁾	6,095,000	2043	UG7	
5.000	2.530	4,005,000	2034	4.000	3.950 ⁽¹⁾	6,340,000	2044	UH5	
5.000	2.650	4,205,000	2035	4.000	4.090	6,595,000	2045	UJ1	
5.000	2.770	4,415,000	2036	4.000	4.200	6,855,000	2046	UK8	

(1) Yield based on pricing to the first optional redemption date of June 1, 2036.

The CUSIP® numbers herein are provided by CUSIP Global Services (CGS), which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. CUSIP is a registered trademark of the American Bankers Association. CUSIP numbers are provided for convenience of reference only. CUSIP numbers are subject to change. Neither the City nor the Purchaser take any responsibility for the accuracy of such CUSIP numbers.

No website mentioned in this Official Statement is part of this Official Statement, and readers should not rely upon any information presented on any such website in determining whether to purchase the Bonds. Any references to any website mentioned in this Official Statement are not hyperlinks and do not incorporate such websites by reference.

No dealer, broker, salesman or other person has been authorized by the City or Piper Sandler & Co. (the "Municipal Advisor") to give information or to make any representations with respect to the Bonds, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The Bonds have not been registered under the Securities Act of 1933, as amended, and the Resolution has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. The registration or qualification of the Bonds in accordance with applicable provisions of securities laws of the States in which the Bonds have been registered or qualified and the exemption from the registration or qualification in other states cannot be regarded as a recommendation thereof. Neither these States nor any of their agencies have passed upon the merits of the Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

City of Hillsboro
150 E Main Street
Hillsboro, Oregon 97123
503-681-6219

Mayor and City Council

Beach Pace	Mayor
Rob Harris	Council President
Olivia Alcaire	Councilor
Saba Anvery	Councilor
Elizabeth Case	Councilor
Cristian Salgado	Councilor
Kipperlyn Sinclair	Councilor

Administrative Staff

Robby Hammond	City Manager
Rahim Harji	Deputy City Manager
Simone Brooks	Assistant City Manager
Michelle Wareing	Chief Financial Officer
Jon Grover	Assistant Finance Director

Bond Counsel

Hawkins Delafield & Wood LLP
Portland, Oregon
(503) 402-1320

Municipal Advisor

Piper Sandler & Co.
Portland, Oregon
(503) 275-8300

Paying Agent

U.S. Bank Trust Company, National Association
Portland, Oregon
(503) 464-4199

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OFFICIAL STATEMENT
City of Hillsboro
Washington County, Oregon

\$91,805,000
Full Faith and Credit Bonds, Series 2026

The City of Hillsboro (the "City"), located in Washington County, Oregon, a political subdivision duly organized and existing under and by virtue of the laws of the State of Oregon (the "State") furnishes this Official Statement in connection with the offering of \$91,805,000 aggregate principal amount of Full Faith and Credit Bonds, Series 2026 (the "Bonds"), dated the Date of Delivery. This Official Statement, which includes the cover page, inside cover page, Notice of Sale, and appendices, provides information concerning the City and the Bonds.

Certain statements contained in this Official Statement do not reflect historical facts but are forecasts and "forward-looking statements." No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, words such as "estimated," "projected," "anticipate," "expect," "intend," "plan," "believe" and similar expressions are intended to identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. All projections, assumptions and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement.

Capitalized terms used and not defined herein shall have the meanings assigned to such terms in "Appendix E—Form of Bond Declaration," which is attached hereto and incorporated by reference herein.

Description of the Bonds

Authorization for Issuance

The City is authorized pursuant to the Constitution and laws of the State, namely, Oregon Revised Statutes ("ORS") Section 287A.150 and other applicable provisions of ORS Chapter 287A to issue bonds for a public purpose.

The Bonds are being issued pursuant to Ordinance No. 6472 enacted on June 4, 2024, as amended by Ordinance No. 6503 enacted on July 1, 2025 (collectively, the "Ordinance") and a Bond Declaration dated the date of delivery (the "Declaration"). The execution and delivery of the Bonds does not require a vote of the people.

Pursuant to the Ordinance, the Declaration and ORS 287A.315, the City has pledged its full faith and credit and taxing powers within the limitations of Sections 11 and 11b, Article XI of the Constitution of the State of Oregon ("Article XI, Sections 11 and 11b") to pay the principal and interest on the Bonds. See "Security for the Bonds" herein.

Principal Amount, Date, Interest Rates and Maturities

The Bonds will be issued in the aggregate principal amount posted on the cover of this Official Statement and will be dated and bear interest from the Date of Delivery. The Bonds will mature on the dates and in the principal amounts set forth on the inside cover of this Official Statement. Interest on the Bonds is payable semiannually on June 1 and December 1 of each year, commencing December 1, 2026, until the maturity or earlier redemption of the Bonds and will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Paying Agent and Registration Features

Paying Agent. The principal of and interest on the Bonds will be payable by U.S. Bank Trust Company, National Association (the "Paying Agent") to The Depository Trust Company ("DTC"), which, in turn, is obligated to

remit such principal and interest to its participants ("DTC Participants") for subsequent disbursement to the persons in whose names such Bonds are registered (the "Beneficial Owners") of the Bonds, as further described in Appendix C attached hereto.

Book-Entry System. The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co. as owner and as nominee for DTC. DTC will act as securities depository for the Bonds. Individual purchases and sales of the Bonds may be made in book-entry form only in minimum denominations of \$5,000 within a single maturity and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds. See "Appendix C - Book Entry Only System" for additional information.

Procedure in the Event of Revisions of Book-Entry Transfer System. If the City discontinues maintaining the Bonds in book-entry only form, the City shall provide an alternative system for registering and paying the Bonds as provided in the Declaration.

Redemption Provisions

Optional Redemption. The Bonds maturing in years 2027 through 2036, inclusive, are not subject to optional redemption prior to maturity. The City reserves the right to redeem all or any portion of the Bonds maturing on or after June 1, 2037 at the option of the City on June 1, 2036 and on any date thereafter in whole or in part, in any order of maturity with maturities selected by the City, at a price of par, plus accrued interest to the date of redemption.

For as long as the Bonds are in book-entry only form, if fewer than all of the Bonds of a maturity are called for redemption, the selection of Bonds within a maturity to be redeemed shall be made by DTC in accordance with its operational procedures then in effect. See Appendix C attached hereto. If the Bonds are no longer held in book-entry only form, then the Paying Agent would select Bonds for redemption by lot within a maturity.

Notice of Redemption (Book-Entry). So long as the Bonds are in book-entry only form and unless DTC consents to a shorter period, the Paying Agent shall notify DTC of any redemption not less than 20 days and not more than 60 days prior to the date fixed for redemption, and shall provide such information in connection therewith as required by a letter of representation submitted to DTC. Unless waived by the Paying Agent, the City shall give written notice of the intended redemption of the Bonds to the Paying Agent not later than five business days before the date notice of redemption of the Bonds is required to be made. The City reserves the right to rescind any redemption notice.

Notice of Redemption (No Book-Entry). During any period in which the Bonds are not in book-entry only form, unless waived by any Owner of the Bonds to be redeemed, official notice of any redemption of Bonds shall be given by the Paying Agent on behalf of the City as provided in the alternative system established by the City under the Declaration. Unless waived by the Paying Agent, the City shall give written notice of the intended redemption of the Bond to the Paying Agent not later than five business days before the date notice of redemption of the Bonds is required to be made. The City reserves the right to rescind any redemption notice as allowed in the Declaration.

Conditional Notice. Any notice of optional redemption to the Paying Agent or to the Owners may state that the optional redemption is conditional upon receipt by the Paying Agent of moneys sufficient to pay the redemption price of such Bonds or upon the satisfaction of any other condition, and/or that such notice may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such redemption price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission or of the failure of any such condition shall be given by the Paying Agent to affected Owners of Bonds as promptly as practicable.

Defeasance

As outlined in the Declaration, the City may defease the Bonds if the City: (1) irrevocably deposits money or noncallable Government Obligations in escrow with an independent trustee or escrow agent which are calculated to be sufficient without reinvestment for the payment of the Bonds which are to be defeased; (2) files with the escrow agent or trustee a report from an independent, certified public accountant or registered

municipal advisor to the effect that the money and the principal and interest to be received from the Government Obligations are calculated to be sufficient, without further reinvestment, to pay the defeased Bonds when due; and (3) files with the escrow agent or trustee an opinion of nationally recognized bond counsel that the proposed defeasance will not, in and of itself, cause interest on the Bonds to be includable in gross income under the Code.

The City shall be obligated to pay Bonds which are defeased solely from the money and Government Obligations deposited with the escrow agent or trustee, and the City shall have no further obligation to pay the defeased Bonds from any source except the amounts deposited in the escrow.

Default and Remedies

The occurrence of one or more of the following shall constitute an Event of Default under the Declaration:

- a. Failure by the City to pay Bond principal, interest or premium when due;
- b. Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed for the benefit of Owners of Bonds, for a period of sixty (60) days after written notice to the City by the Owners of fifty-one (51) percent or more of the principal amount of Bonds then Outstanding specifying such failure and requesting that it be remedied; provided however, that if the failure stated in the notice cannot be corrected within such sixty (60) day period, it shall not constitute an Event of Default so long as corrective action is instituted by the City within the sixty (60) day period and diligently pursued, and the default is corrected as promptly as practicable after the written notice referred to in this paragraph; or,
- c. The City is adjudged insolvent by a court of competent jurisdiction, admits in writing its inability to pay its debts generally as they become due, files a petition in bankruptcy, or consents to the appointment of a receiver for the payments.

The Owners of fifty-one (51) percent or more of the principal amount of Bonds then Outstanding may waive any Event of Default and its consequences, except an Event of Default as described in (a) of this Section.

Upon the occurrence and continuance of any Event of Default the Owners of fifty-one (51) percent or more of the principal amount of Bonds then Outstanding may take whatever action may appear necessary or desirable to enforce or to protect any of the rights of the Owners of Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in the Declaration or in aid of the exercise of any power granted in the Declaration or for the enforcement of any other legal or equitable right vested in the Owners of Bonds by the Declaration or by law. However, the Bonds shall not be subject to acceleration.

No remedy in the Declaration conferred upon or reserved to Owners of Bonds is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Declaration or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. To entitle the Owners of Bonds to exercise any remedy reserved to them, it shall not be necessary to give any notice other than such notice as may be required by the Declaration or by law.

Purpose and Use of Proceeds

Purpose

The proceeds from the sale of the Bonds will be used to finance recreation projects, a police headquarters and a fire station (collectively, the "Project").

Specifics on the Project expected to be financed include:

- Recreation projects, which may include improvements to the existing ballpark facility and other improvements located at the Gordon Faber Recreation Complex, and sports fields and related improvements,
- A new police headquarters and related improvements, and
- A new South Hillsboro fire station, which may include a disaster operations center and space for police, and related improvements.

Sources and Uses of Funds

The proceeds of the Bonds are estimated to be applied as follows:

Estimated Sources and Uses of Funds

Sources of Funds	
Par Amount of Bonds	\$ 91,805,000.00
Original Issue Premium	8,561,437.85
Total Sources of Funds	<u>\$ 100,366,437.85</u>
Uses of Funds	
Available for the Project	\$ 100,000,000.00
Underwriting and Issuance Costs	361,546.24
Additional Proceeds	4,891.61
Total Uses of Funds	<u>\$ 100,366,437.85</u>

Security for the Bonds

General

The Bonds are payable from all lawfully available funds of the City. Pursuant to ORS 287A.315 the City has pledged its full faith and credit and taxing power within the restrictions of Sections 11 and 11b, Article XI of the Oregon Constitution to pay the Bonds. The obligation of the City to pay the Bonds is not subject to appropriation. The Bonds are not secured by any lien on property or revenues of the City.

Bonded Indebtedness

Debt Limitation

Full Faith and Credit Obligations/Limited Tax Obligations. Local governments may pledge their full faith and credit for "limited tax bonded indebtedness" or "full faith and credit obligations". The Oregon Constitution and statutes do not limit the amount of limited tax bonded indebtedness that a city may issue. Full faith and credit obligations can take the form of bonds, certificates of participation, notes or capital leases. Collection of property taxes to pay principal and interest on such limited-tax debt is subject to the limitations of Article XI, Sections 11 and 11b. **The Bonds are limited tax obligations.**

General Obligation Bonds. Upon voter approval, Oregon cities may issue general obligation bonds pursuant to the debt limit in ORS 287A.050. General obligation bonds are secured by the power to levy an additional tax outside the limitations of Article XI, Sections 11 and 11b. **The Bonds are not general obligation bonds and the City does not have any outstanding debt subject to this limitation.**

Pension Bonds. ORS 238.694 authorizes local governments to issue full faith and credit obligations to pay pension liabilities without limitation as to principal amount. Pension bonds are not general obligations as defined under State law and the City is not authorized to levy additional taxes to make pension bond payments. **The Bonds are not pension bonds.**

Special Fund Obligations. Several Oregon statutes authorize the City to issue special fund obligations that are secured only by specified sources of revenue, such as water revenue bonds secured only by the net revenues of the water system. **The Bonds are not special fund obligations.**

Outstanding Long-Term Debt

Issue Description	Date of Issue	Date of Maturity	Amount Issued	Amount Outstanding ⁽¹⁾
<i>Full Faith and Credit⁽²⁾:</i>				
Series 2012A	07/26/12	06/01/32	\$ 28,715,000	\$ 10,180,000
Series 2012B	11/29/12	06/01/26	11,895,000	4,770,000
Series 2016	12/20/16	06/01/36	9,655,000	6,100,000
Series 2017	06/01/17	06/01/37	9,460,000	5,205,000
Series 2019	08/28/19	06/01/39	35,235,000	32,785,000
Series 2026 ⁽³⁾	01/29/26	06/01/46	91,805,000	<u>91,805,000</u>
Total Full Faith and Credit Bonds				<u>150,845,000</u>
<i>Local Improvement District Bonds⁽⁴⁾:</i>				
Series 2023 (South Hillsboro LID)	04/20/23	06/01/38	12,500,000	<u>8,095,000</u>
<i>Water Fund Obligations:</i>				
Series 2019 Revenue Bonds	07/11/19	06/01/49	48,205,000	48,205,000
Series 2019 WIFIA Revenue Bonds	08/16/19	06/01/61	250,523,385	<u>250,523,385</u>
Total Water Fund Obligations				<u>298,728,385</u>
<i>HEDC Urban Renewal Debt:</i>				
Series 2019 ⁽⁵⁾ (North Hillsboro)	11/20/19	06/01/34	23,000,000	15,048,000
Series 2021 ⁽⁵⁾ (North Hillsboro)	06/22/21	06/01/36	25,286,000	21,956,000
Series 2024 ⁽⁵⁾ (North Hillsboro)	01/25/24	06/01/43	83,140,000	<u>82,435,000</u>
Total Urban Renewal Debt				<u>119,439,000</u>
Total Long-Term Debt				<u>\$ 577,107,385</u>

(1) As of Date of Delivery.

(2) Debt service on outstanding full faith and credit backed borrowings and the 2026 Bonds is expected to be paid from funds outside the General Fund. Series 2017 is paid from Transportation and Stormwater Funds. The remaining issues, including the 2026 Bonds, are paid from Strategic Investment Program ("SIP") revenues, accounted for in the Strategic Investment Program Fund. See "Revenues Sources - Property Taxes - Property Tax Exemption Programs" herein.

(3) This issue.

(4) Secured by and paid from assessment payments. Also secured by the full faith and credit of the City.

(5) Issued by the Hillsboro Economic Development Council ("HEDC") and secured by the tax increment revenues of the North Hillsboro Industrial Urban Renewal Area. Urban renewal area bonds and notes constitute borrowings of HEDC and do not constitute borrowings of the City. However, urban renewal borrowings are included in the City's outstanding long-term debt table since HEDC is a component unit of the City.

Note: The City's interfund loan agreements are not included in the table.

Source: City of Hillsboro.

The City maintains the Building Fund, a special revenue fund that collects permit fees for the inspection of new development. The City has entered into two interfund loan agreements with the Building Fund. The first agreement is between the Building Fund to the Facilities Management Fund for up to \$20 million. The loan was set up as a bridge loan to fund fire station projects and be drawn down prior to issuance of the Bonds. The first draw of \$1,500,000 was made in August 2025. A second draw of \$3,000,000 was made in November 2025. The City expects to pay the loan draws off with the proceeds of the Bonds. The second loan agreement is between the Building Fund and the Fleet Fund for up to \$9 million for the purchase of six fire engines. Nothing has been drawn to date and is not expected to be drawn until Fiscal Year 2028 when the City takes possession of the fire engines. The City has also entered into an interfund loan agreement with the Transportation Depreciation Fund and Transportation System Development Charge SoHi Fund for up to \$710,000 to finance infrastructure in South Hillsboro.

**Full Faith and Credit Debt
Projected Debt Service Requirements**

Fiscal Year	Outstanding Bonds		The Bonds		Total Debt Service
	Principal	Interest	Principal	Interest	
2026	\$ 4,940,000	\$ 1,722,835	\$ -	\$ -	\$ 6,662,835
2027	5,105,000	1,558,298	1,485,000	5,645,358	13,793,656
2028	5,275,000	1,386,348	2,990,000	4,142,200	13,793,548
2029	5,460,000	1,202,898	3,140,000	3,992,700	13,795,598
2030	3,540,000	1,012,798	3,295,000	3,835,700	11,683,498
2031	3,665,000	885,798	3,460,000	3,670,950	11,681,748
2032	3,790,000	758,098	3,635,000	3,497,950	11,681,048
2033	3,895,000	660,204	3,815,000	3,316,200	11,686,404
2034	3,985,000	567,904	4,005,000	3,125,450	11,683,354
2035	4,085,000	469,366	4,205,000	2,925,200	11,684,566
2036	4,180,000	371,056	4,415,000	2,714,950	11,681,006
2037	3,620,000	270,411	4,635,000	2,494,200	11,019,611
2038	3,705,000	182,869	4,870,000	2,262,450	11,020,319
2039	3,795,000	94,875	5,110,000	2,018,950	11,018,825
2040	-	-	5,365,000	1,763,450	7,128,450
2041	-	-	5,635,000	1,495,200	7,130,200
2042	-	-	5,860,000	1,269,800	7,129,800
2043	-	-	6,095,000	1,035,400	7,130,400
2044	-	-	6,340,000	791,600	7,131,600
2045	-	-	6,595,000	538,000	7,133,000
2046	-	-	6,855,000	274,200	7,129,200
	<u>\$ 59,040,000</u>	<u>\$ 11,143,755</u>	<u>\$ 91,805,000</u>	<u>\$ 50,809,908</u>	<u>\$ 212,798,663</u>

**Summary of Overlapping Debt
(As of November 12, 2025)**

Overlapping Issuer Name	Percent Overlapping	Gross Direct Debt ⁽¹⁾	Net Direct Debt ⁽²⁾
Washington Cty SD 1J (Hillsboro)	72.54%	\$ 301,778,358	\$ 301,778,358
Washington County	20.22%	50,450,582	22,772,825
Northwest Regional ESD	15.93%	1,974,573	1,974,573
Portland Community College	9.03%	53,647,012	51,402,838
Metro	7.07%	64,340,319	63,881,389
Port Of Portland	6.49%	1,569,769	0
Washington Cty SD 48J (Beaverton)	4.41%	60,427,130	60,427,130
Tualatin Hills Park & Rec District	0.01%	2,339	2,339
Tualatin Valley Fire & Rescue District	0.00%	46	42
		<u>\$ 534,190,128</u>	<u>\$ 502,239,494</u>

(1) Gross Direct Debt includes all unlimited (general obligation bonds) and limited (full faith and credit obligations) tax supported debt. Limited tax pension obligations are included.

(2) Net Debt is Gross Direct Debt less self-supporting limited and unlimited tax supported debt.

Source: *Debt Management Division, The Office of the State Treasurer.*

Debt Ratios

The following table presents information regarding the City's direct debt, including the Bonds, and the estimated portion of the debt of overlapping taxing districts allocated to the City's property owners.

Debt Ratios		
Total Real Market Value ⁽¹⁾ (Fiscal Year 2026)	\$ 66,876,829,475	
Estimated Population	111,006	
Per Capita Real Market Value	\$ 602,461	
Debt Information	Gross Direct Debt ⁽²⁾	Net Direct Debt ⁽³⁾
City Direct Debt ⁽⁴⁾	\$ 158,940,000	\$ -
Overlapping Direct Debt	<u>534,190,128</u>	<u>502,239,494</u>
Total Direct Debt ⁽⁴⁾	<u><u>\$ 693,130,128</u></u>	<u><u>\$ 502,239,494</u></u>
Bonded Debt Ratios ⁽⁴⁾		
City Direct Debt to Real Market Value	0.24%	0.00%
Total Direct Debt to Real Market Value	1.04%	0.75%
Per Capita City Direct Debt	\$ 1,432	\$ 0
Per Capita Total Direct Debt	\$ 6,244	\$ 4,524

(1) Value represents the total Real Market Value of taxable properties, without the reduction available to specially assessed properties such as farm and forestland.

(2) Gross Direct Debt includes all debt with an unlimited (general obligation bonds) and limited (full faith and credit obligations) tax pledge. Limited tax pension obligations are included.

(3) Net Debt is Gross Direct Debt less any self-supporting obligations which are paid from other revenue sources. All of the City's full faith and credit obligations and the LID debt are considered self-supporting obligations for purposes of this calculation.

(4) Includes the Bonds.

Sources: Washington County Department of Assessment and Taxation; Center for Population Research and Census, Portland State University; Debt Management Division, The Office of the State Treasurer as of November 12, 2025 and City of Hillsboro Audited Financial Reports for the Fiscal Year Ended June 30, 2025.

Debt Payment Record

The City has promptly met principal and interest payments on outstanding borrowings in the past ten years when due.

Future Financings

Long-term Borrowings. The City has no authorized but unissued borrowings. The City has budgeted in the 2025-27 biennium to sell up to \$50 million in bonds expected to be backed by the City's water system revenues to fund water infrastructure. Additionally, it has entered into three interfund loans as further described above. See "Outstanding Long-Term Debt" herein.

Short-term Borrowings. The City does not anticipate issuing short-term borrowings within the next twelve months.

The City

General Description

The City encompasses approximately 24.7 square miles and is located in Washington County, Oregon. The City was incorporated as a municipal corporation in 1876 and is a full-service city providing a full range of municipal services including fire and police protection, library services, parks and recreation facilities/activities, streets, planning, zoning, general administrative services, in addition to operating water and sewer utility systems.

The City utilizes the council-manager form of government, which is overseen by a seven-member City Council (the “City Council”) under the constitution and the laws of the State of Oregon and the City’s Home Rule Charter. The City Council is composed of a Mayor and six City Council members. The City is divided into three wards. The term of office for the Mayor and City Council members is four years. Two City Council members must reside in each of the wards, but they are elected by the voters of the entire City. The Mayor, who is elected City-wide, is the presiding officer of the City Council. All City Council members are part-time elected officials who exercise the legislative powers of the City and determine matters of policy.

The City Council appoints a City Manager who is the chief administrative officer of the City. The City Manager appoints the heads of all City departments, including a Chief Financial Officer who supervises the financial affairs of the City. The Chief Financial Officer is responsible for operating a general accounting system for City government in conformity with generally accepted accounting principles and practices, and for receipt, custody and disbursement of all City funds and monies.

Urban Growth Boundary. The City is within the Portland metropolitan area and is subject to Metro and Oregon Department of Land Conservation and Development approving requests for changes to the City’s urban growth boundary. The Metro Council consists of a six-member board that makes planning decisions relative to the Portland metropolitan area urban growth boundary.

Staff

As of December 1, 2025, the City had 949 full-time employees and 414 part-time employees including those in the bargaining units listed below.

Bargaining Units

Bargaining Unit	No. of Employees	Contract Expires
Hillsboro Police Officers Association	148	June 30, 2028
Hillsboro Police Officers’ Association - Sergeants	23	June 30, 2028
International Association of Firefighters (Rank and file)	128	June 30, 2027
International Association of Firefighters (Battalion Chiefs Unit)	5	June 30, 2027
American Federation of State County and Municipal Employees Council 75 AFL- CIO (Library Employees)	79	June 30, 2028

Source: The City.

The City Council

The policies of the City are established by an elected seven-member City Council. The current members of the City Council are:

City Council

Name	Position	Occupation	Service Began	Term Expires
Beach Pace	Mayor	CEO & Retired Military	January 2025	January 2029
Rob Harris	Council President	Retired Lawyer	January 2025	January 2029
Olivia Alcaire	Councilor	Educator	February 2017	January 2027
Saba Anvery	Councilor	Engineering Manager	January 2025	January 2029
Elizabeth Case	Councilor	Business Owner	January 2025	January 2029
Cristian Salgado	Councilor	Broadband Investment Coordinator	January 2025	December 2026
Kipperlyn Sinclair	Councilor	Business Owner	January 2023	January 2027

Source: The City.

Key Administrative Officials

The day-to-day affairs of the City are managed by a professional administrative staff which includes the following principal officials:

Robby Hammond, City Manager. Mr. Hammond was appointed City Manager in September 2019. Prior to being appointed as City Manager, he was the Assistant City Manager over Public Safety and Community Services Departments beginning in August 2016, after working as the City's Human Resources Director since 2012. He currently oversees all City operations and directly manages Police, Information Services, and Finance Departments. He previously worked for the City of San Antonio, Texas holding multiple positions in the City Manager's Office, Office of Management and Budget, and Human Resources Department. He graduated from Brigham Young University with a Bachelor of Science degree in City Planning and a Master of Public Administration. He is also an ICMA Credentialed Manager.

Rahim Harji, Deputy City Manager. Mr. Harji was hired as Assistant City Manager in April 2020 and was later appointed to Deputy City Manager. He currently oversees the following City departments: Economic and Community Development, Fire and Rescue, Parks and Recreation, Public Works and Water. He previously worked for Pinellas County, Florida holding multiple positions including Assistant County Administrator. He graduated from McMaster University with a Bachelor of Engineering degree in Civil Engineering, earned an Executive Master of Public Administration degree from Portland State University and is a certified Professional Engineer in the State of Oregon. He is also an ICMA Credentialed Manager.

Simone Brooks, Assistant City Manager. Ms. Brooks became the Assistant City Manager in November 2018. She currently oversees Human Resources, Library, Community Services, Communications & Marketing, DEI, and Community Engagement. She previously led a minority-owned professional services and staffing firm and worked as an environmental consultant focused on hazardous materials management. She is extensively involved in the community serving on a variety of boards including the Portland Business Alliance, and Oregon State Board of Licensed Social Workers. She graduated from Hampton University with a Bachelor of Science in Marine and Environmental Science.

Michelle Wareing, Chief Financial Officer. Ms. Wareing was appointed Chief Financial Officer in October 2025. Prior to being appointed Chief Financial Officer, she was the Assistant Finance Director beginning in November 2010 after working as the City's Accounting Manager since May 2007. She previously worked at the City of Tigard, Oregon from November 1996 to May 2007 serving in several positions with last being a Management Analyst. She graduated from Pepperdine University with a Bachelor of Science degree in Business Administration. She is a Certified Public Finance Officer. Ms. Wareing is a member of both the Oregon Government Finance Officers Association and the Government Finance Officers Association and currently serves on the Oregon Short Term Fund Board and the Oregon Municipal Debt Advisory Commission.

Jon Grover, Assistant Finance Director. Mr. Grover has worked for the City since April 2011. He was appointed the Assistant Finance Director in October 2025. Prior to his appointment, he was the City's Finance Manager. He previously worked for five years in public accounting in assurance services from January 2006 to April 2011. He graduated from George Fox University with a degree in Accounting. Mr. Grover earned his Certified Public Accountant license in December 2008 and is a Certified Public Finance Officer. He is a member of the Oregon Government Finance Officers Association, the Government Finance Officers Association, and the Oregon Society of CPAs. Mr. Grover serves as a Board Member and current fiscal year treasurer for the Oregon Society of CPAs.

Revenue Sources

The following section summarizes certain major revenue sources of the City.

Local Revenue Sources - Property Taxes

Most local governments, school districts, education service districts and community college districts ("local governments") have permanent authority to levy property taxes for operations ("Permanent Rates") up to a maximum rate (the "Operating Tax Rate Limit"). Local governments that have never levied property taxes may request that the voters approve a new Operating Tax Rate Limit. Most local governments also have the authority

to levy property taxes for debt service associated with general obligation bonds outside of the Operating Tax Rate Limit upon receiving voter approval.

Local governments may not increase their Operating Tax Rate Limits; rather they may only request that voters approve limited term levies for operations or capital expenditures ("Local Option Levies").

Local Option Levies that fund operating expenses are limited to five years, and Local Option Levies dedicated to capital expenditures are limited to ten years.

The City currently has a Local Option Levy of \$1.72/\$1,000 assessed value to enhance service levels for police, fire and rescue, and parks and recreation. The Local Option Levy was first approved in November 1998 at a rate of \$1.10/\$1,000 of assessed value. In November 2006, voters approved the increase to \$1.72/\$1,000. The Local Option Levy was most recently renewed by City voters in May 2022 and extends through Fiscal Year 2028. In Fiscal Year 2026, \$42,977,626 was the amount imposed.

Local governments impose property taxes by certifying their levies to the county assessor(s) of the county(ies) in which the local government is located. Property taxes can only be levied once each Fiscal Year. The local government must notify the county assessor(s) of its levies by July 15.

Valuation of Property – Real Market Value. "Real Market Value" is the minimum amount in cash which could reasonably be expected by an informed seller acting without compulsion, from an informed buyer acting without compulsion, in an "arms-length" transaction during the period for which the property is taxed.

Property subject to taxation includes all privately owned real property (land, buildings and improvements) and personal property (machinery, office furniture and equipment) for non-residential taxpayers. There is no property tax on household furnishings (exempt since 1913), personal belongings, automobiles (exempt since 1920), crops, orchards, business inventories or intangible property such as stocks, bonds or bank accounts, except for centrally assessed utilities, for which intangible personal property is subject to taxation.

Property used for charitable, religious, fraternal and governmental purposes is exempt from taxation. Special assessments that provide a reduction in the taxable value may be granted (upon application) for veterans' homesteads, farm and forest land, open space and historic buildings. The Real Market Value of specially assessed properties is often called the "Taxable Real Market Value" or "Measure 5 Real Market Value." This differential affects the City's value (See "Taxable Property Values" table herein.) The assessment roll, a listing of all taxable property, is prepared as of January 1 of each year.

Valuation of Property – Assessed Value. Property taxes are imposed on the assessed value of property. The assessed value of each parcel cannot exceed its Taxable Real Market Value, and is ordinarily less than its Taxable Real Market Value. The assessed value of property was initially established in 1997 as a result of a constitutional amendment. That amendment (now Article XI, Section 11, often called "Measure 50") assigned each property an assessed value and limited increases in that assessed value to three percent per year, unless the property is improved, rezoned, subdivided, or ceases to qualify for exemption. When property is newly constructed or reassessed because it is improved, rezoned, subdivided, or ceases to qualify for exemption, it is assigned an assessed value that is comparable to the assessed value of similar property within the county. Counties are generally responsible for managing the assessment and taxation process, with some exceptions (see "Property Tax Collections" herein.)

The Oregon Department of Revenue ("ODR") appraises and establishes values for utility property, forestland and most large industrial property for county tax rolls. It collects taxes on harvested timber for distribution to schools, county taxing districts, and State programs related to timber. Certain properties, such as utilities, are valued on the unitary valuation approach. Under the unitary valuation approach, the taxpaying entity's operating system is defined and a value is assigned for the operating unit using the market value approach (cost, market value and income appraisals). Values are then allocated to the entities' operations in Oregon, and then to each county the entity operates in and finally to site locations.

Generally speaking, industrial properties are valued using an income approach, but ODR may apply additions or retirements to the property value through a cost of materials approach. Under the income and cost of materials approaches, property values fluctuate from year-to-year.

Tax Rate Limitation – Measure 5. A tax rate limitation was established in 1990 as the result of a constitutional amendment. That amendment (now Article XI, Section 11b, often called “Measure 5”) separates property taxes into two categories: one to fund the public school system (kindergarten through grade twelve school districts, education service districts and community college districts, collectively, “Education Taxes”) and one to fund government operations other than the public school system (“General Government Taxes”). Education Taxes are limited to \$5 per \$1,000 and General Government taxes are limited to \$10 per \$1,000 of the Taxable Real Market Value of property (the “Measure 5 Limits”). Taxes levied by general purpose governments (such as cities and counties) may be subject to the \$5 per \$1,000 limit if those taxes are used for educational services provided by public schools. If the taxes on a property exceed the Measure 5 Limit for Education or General Government, then tax rates are compressed to the Measure 5 Limit. Local Option Levy rates compress to zero before there is any compression of Permanent Rates. In Fiscal Year 2026, there was no compression of the City’s Permanent Rate due to the tax rate limitation. There was \$2,744 of compression of the City’s Local Option Levy.

Taxes imposed to pay the principal and interest on the following bonded indebtedness are not subject to Measure 5 Limits: (1) bonded indebtedness authorized by a specific provision of the Oregon Constitution; and (2) general obligation bonded indebtedness incurred for capital costs approved by the electors of the issuer and bonds issued to refinance such bonds. **Property taxes imposed to pay the principal of and interest on the Bonds are subject to the limitations of Article XI, Sections 11 and 11b.**

Property Tax Collections. Each county assessor is required to deliver the tax roll to the county tax collector in sufficient time to mail tax statements on or before October 25 each year. All tax levy revenues collected by a county for all taxing districts within the county are required to be placed in an unsegregated pool, and each taxing district shares in the pool in the same proportion as its levy bears to the total of all taxes levied by all taxing districts within the county. As a result, the tax collection record of each taxing district is a *pro-rata* share of the total tax collection record of all taxing districts within the county combined.

Taxpayers may choose to make payments in one lump sum by 15th of November of the same Fiscal Year, or in installments. Under the partial payment schedule, taxes are payable in three equal installments on the 15th of November, February and May of the same Fiscal Year. The method of giving notice of taxes due, the county treasurer’s account for the money collected, the division of the taxes among the various taxing districts, notices of delinquency, and collection procedures are all specified by detailed statutes. The lien for property taxes is prior to all other liens or encumbrances of any kind on real or personal property subject to taxation. By law, a county may not commence foreclosure of a tax lien on real property until three years have passed since the first delinquency.

The following tables represent historical tax information for the City. The City is aware of several property tax appeals with 13 different petitioners that could have the potential to adjust assessed values. The implications for the City’s revenue are unknown at this time as these are active appeals.

Taxable Property Values

Fiscal Year	Total Real Market Value	% Change	M5 Real Market Value ⁽¹⁾	% Change	Total Assessed Valuation ⁽²⁾	Urban Renewal Excess ⁽³⁾	AV Used to Calculate Rates ⁽⁴⁾	% Change
2026 ⁽⁵⁾	\$ 66,876,829,475	9.7%	\$ 37,325,536,566	19.8%	\$ 24,988,587,101	\$ 2,001,737,870	\$ 22,986,849,231	34.9%
2025	60,982,119,720	9.9%	31,146,012,398	4.0%	18,834,111,189	1,794,352,433	17,039,758,756	5.2%
2024	55,465,898,243	12.6%	29,954,054,770	7.3%	17,741,865,274	1,547,318,251	16,194,547,023	5.8%
2023	49,270,739,190	20.0%	27,914,623,597	18.6%	16,384,634,071	1,083,337,464	15,301,296,607	5.9%
2022	41,067,779,992	10.1%	23,533,997,826	8.1%	15,079,066,267	628,277,612	14,450,788,655	5.5%
2021	37,284,762,786	---	21,772,006,041	---	14,177,589,366	483,939,000	13,693,650,366	---

- (1) Total Real Market Value represents the Real Market Value of taxable properties and includes the value for Strategic Investment Program ("SIP") properties. The M5 Real Market Value does not include the value of special assessed properties like SIP properties, as well as farm and forestland. See "Revenue Sources - Property Tax Exemption Programs" herein.
- (2) Assessed value of property in the City on which the Local Option Levy rate is applied to derive *ad valorem* property taxes.
- (3) Includes the North Hillsboro Industrial Area and Downtown Hillsboro Urban Renewal Area.
- (4) Assessed value of property in the City on which the Permanent Rate is applied to derive *ad valorem* property taxes, excluding urban renewal, exempt property within enterprise zones and any other offsets.
- (5) Certain tax abatement agreements for Intel and Genentech expired and returned significant assessed value to the tax rolls in Fiscal Year 2026. See "Revenue Sources - Property Tax Exemption Programs - Strategic Investment Program" herein. Total assessed value growth in the future may be suppressed as these properties experience significant depreciation each year which reduces their value.

Source: Washington County Department of Assessment and Taxation.

Property Tax Exemption Programs

Oregon statutes authorize a wide variety of full and partial property tax exemptions, including exemptions for property owned or used by cities, counties, schools and other local governments, property of the federal government, property used by religious and charitable entities, property used for low-income housing, historical properties or transit-oriented property. The programs listed below all operate within the City. The City's property tax revenues are impacted by property tax exemption programs described below and as detailed under the heading "GASB 77" herein.

Enterprise Zones. The Oregon Enterprise Zone program is a State of Oregon economic development program that allows for property tax exemptions for three to five years. In exchange for receiving property tax exemption, participating firms are required to meet the program requirements set by State statutes and the local sponsor. The City has an Enterprise Zone program which offers 100 percent property tax abatement for eligible businesses on new capital assets (not currently on the tax rolls) within the designated Enterprise Zone. Businesses must meet certain eligibility requirements and a minimum investment of \$1,000,000 is required in the North Industrial Enterprise Zone Area and a minimum of \$100,000 investment in the South Industrial Area and Central Business District Enterprise Zone Areas. Businesses may be required to pay a Community Service Fee of up to 50 percent of the abated taxes, paid to the City annually. In Fiscal Year 2025, the City estimated a loss of \$128,262,000 in property tax revenue as a result of enterprise zones.

Vertical Housing Program. The Vertical Housing Program provides property tax abatements on investment in and rehabilitation of properties in targeted areas to revitalize communities under ORS 307.864. Property tax abatements of up to 80 percent over a 10-year period are obtained through application of a developer to construct new mixed-use developments which contain both non-residential and residential uses in zones designated by local jurisdictions. The property must be used for the intended purpose during the duration of the abatement. If a portion of the property changes to an uncertified use, the abatement of property tax would be disqualified from the proportion of the property which was decertified. The amount of the abatement reduces assessed value for property tax calculation to the City and other overlapping taxing jurisdictions. In Fiscal Year 2025, the City estimated a loss of \$478,000 in property tax revenue as a result of Vertical Housing Programs.

Nonprofit Low-Income Rental Housing Program. This program provides property tax exemptions on certain property owned or being purchased by a nonprofit corporation, if the property is intended for the purpose of low-income housing under ORS 307.541. Exemptions are obtained annually through an application process by a

qualifying nonprofit corporation that is exempt from federal income tax (Section 501(c)(3) or (4) of the Internal Revenue Code) and the nonprofit corporation must certify that the income level of each renter is at or below 60 percent of area median income. Qualified property is exempt only from city or county taxes, whichever granted the exemption. To exempt the property from all property taxes, districts levying 51 percent or more of the taxes on the property must pass resolutions to approve the exemption. In Fiscal Year 2025, the City estimated a loss of \$432,000 in property tax revenue as a result of Nonprofit Low-Income Rental Housing Programs.

Strategic Investment Program. The Strategic Investments Program (“SIP”) provides tax incentives for capital investments by “traded-sector” businesses, including manufacturing. A portion of the SIP project is still taxed, consisting first of real estate, improvements and so forth, up to a certain amount of market value. All other project property is exempt from tax. The value of the taxable portion grows by three percent with each year of the SIP period. In an urban area, the taxable portion’s property value begins at \$100 million, as price-indexed starting in 2026. In a rural area, the initial or base taxable portion depends on the size of the investment, as follows:

Total Project Cost	Rural Taxable Base
\$500 million or less	\$40 million
Between \$500 million and \$1 billion	\$75 million
Greater than \$1 billion	\$100 million

SIP recipients pay an annual Community Service Fee which is equal to 25 percent of the value of the tax break, capped at \$3 million for an urban SIP and \$500,000 for a rural SIP, which is allocated to local governments through local negotiations.

There is currently one active SIP agreement, which is between Washington County, the City and Intel.

Intel SIPs. As of July 1, 2025, the City and County have one active SIP agreements with Intel as well as historical agreements. The first two Intel agreements were negotiated in 1994 and expired after Fiscal Year 2011. The third Intel agreement was negotiated in 1999 to cover a total investment of \$12.5 billion and continued through Fiscal Year 2015. Approximately \$900 million of taxable property value from the 1999 SIP agreement returned to the tax roll in Fiscal Year 2016.

In 2005, Intel, the City and Washington County entered into a fourth SIP agreement covering the potential investment of \$25 billion to commence when the 1999 SIP agreement reached the limits of its investment ceiling. The 2005 agreement was activated July 1, 2010 and ended on June 30, 2025. Upon expiration, the current abated assessed value of \$3.7 billion was added to the tax rolls in Fiscal Year 2026.

The remaining active SIP agreement with Intel was entered into in August of 2014 (the “2014 SIP Agreement”). Washington County, the City and Intel negotiated a 30-year agreement that provides up to \$100 billion of investment over multiple, concurrent 15-year periods beginning in 2015. As with past agreements, the 2014 Agreement requires Intel to pay the equivalent of full property taxes on all land and buildings associated with each SIP project (fee in lieu), as well as a community service fee and a guaranteed annual payment. The agreement allows for partial property tax savings to Intel for the investment in machinery and equipment used for semiconductor manufacturing. This machinery and equipment costs billions of dollars and can become obsolete within a few years. The 2014 Agreement is the fifth for Intel since the program’s inception and is the largest SIP agreement in the State’s history.

In July 2016, Intel notified Washington County and the City that they had activated the 2014 SIP Agreement with an initial \$33 billion investment package. The total payments under the 2014 SIP Agreement are estimated to be \$350 million. However, actual payments under the 2014 SIP Agreement will depend on the nature and timing of Intel’s investments. In June 2025, the City was notified by Intel that their second investment of \$33 billion had been triggered as the first investment package of \$33 billion had been achieved.

Intel has recently been facing challenges as a result of declining sales and leadership changes and several rounds of layoffs were announced in the last two years. At this time, it is not believed that Intel’s structural changes will impact the SIP. Intel announced plans for an additional \$39 billion investment at the end of calendar year 2024.

Genentech SIP. Genentech, Inc. negotiated a non-urban agreement for a bio-tech project. The rules were modified from the original program to make full property tax payable on the first \$25 million of investment, with a commensurate minimum community service fee. Washington County and the City received the first year of tax distribution under this program in Fiscal Year 2011. The Genentech agreement expired in Fiscal Year 2025 with residual amounts coming back on the tax rolls of all overlapping taxing jurisdictions in Fiscal Year 2026.

SIP Revenues. The City reports SIP revenues in the Strategic Investment Program Fund, and currently uses a majority of SIP revenues to make payments on existing debt obligations and to provide funding towards the City's facility and capital needs.

As of June 30, 2025, the City had received approximately \$257 million in fees associated with the Intel SIP agreements and approximately \$5.87 million in fees associated with the Genentech agreement. The following table shows recent historical SIP payments for the City, Washington County and other agencies party to the agreements:

SIP Payments (\$000s)
(Fiscal Years)

Agreements	2020	2021	2022	2023	2024	Unaudited	Budgeted
						2025	2026
2005 Intel	\$ 39,923	\$ 38,032	\$ 37,526	\$ 40,019	\$ 41,768	\$ 39,382	\$ -
2014 Intel	4,650	21,089	23,046	29,289	53,646	56,958	66,420
2006 Genentech	1,055	1,084	1,114	1,135	1,177	1,210	-
Total	\$ 45,628	\$ 60,205	\$ 61,686	\$ 70,443	\$ 96,591	\$ 97,550	\$ 66,420
Distributed to:							
Washington County	\$ 28,734	\$ 37,659	\$ 38,568	\$ 42,885	\$ 60,087	\$ 60,768	\$ 41,900
City of Hillsboro	16,290	21,936	22,495	25,969	35,836	36,623	22,760
Other agencies	604	610	623	589	668	159	1,760
Total	\$ 45,628	\$ 60,205	\$ 61,686	\$ 69,443	\$ 96,591	\$ 97,550	\$ 66,420

Source: Washington County Audited Financial Statements and City staff.

Gain Share. The 2007 Legislature approved a program to allow local governments to share annually in state income tax revenues generated from jobs created under active SIP agreements ("Gain Share"). The Gain Share program currently sets the local share of the State income tax to 50 percent of the tax from new employment and 20 percent from retained employment and has a cap of \$16 million on the amount a county can receive each fiscal year. Funds are directly allocated by the Oregon Department of Revenue. Future allocations are subject to legislative modification. Gain Share has been extended multiple times and most recently until Fiscal Year 2031. The City is actively working in conjunction with Washington County and other local governments across the state to further extend Gain Share.

The City reports Gain Share revenues in the Gain Share Capital Fund and is currently using a majority of Gain Share revenues to finance the construction of HiLight infrastructure, the City operated fiber optic internet and phone service provider that began service in 2020.

As of June 30, 2025, the City had received 13 payments under the program totaling approximately \$87.5 million. The following table shows recent historical Gain Share payments received for the City, Washington County, and other agencies party to the agreements.

**Gain Share Payments (\$000s)
(Fiscal Years)**

Agreements	2020	2021	2022	2023	2004	Unaudited	Budgeted
						2025	2026
2005/2014 Intel	15,037	15,037	15,037	15,037	15,037	15,037	16,000
2006 Genentech	963	963	963	963	963	963	-
Total	\$ 16,000						
Distributed to:							
Washington County	\$ 9,242	\$ 9,221	\$ 9,123	\$ 9,063	\$ 9,095	\$ 8,962	\$ 9,000
City of Hillsboro	6,192	6,196	6,281	6,374	6,339	6,491	6,541
Other agencies	566	583	596	563	566	547	459
Total	\$ 16,000						

Source: Washington County Audited Financial Statements and City staff.

GASB 77. GASB Statement No. 77 requires local governments to disclose information related to tax abatement programs and amounts abated. Tax abatements result from agreements entered into by the reporting government, as well as those that are initiated by other governments, which reduce the reporting government's tax revenues. The City's property tax revenues were impacted by four tax abatement programs in Fiscal Year 2024 as detailed below. For more information, see Note "Tax Abatements" of the City's audited financial statements for Fiscal Year 2024 attached hereto as Appendix B.

**Tax Abatement Programs
(Fiscal Year 2025)**

Program	Estimated Tax Revenue Loss
Strategic Investment Program	\$ 126,280,000
Enterprise Zone	28,262,000
Vertical Housing	478,000
Low Income Housing	432,000
Total	\$ 155,452,000

Source: City Audited Financial Statements.

A Senior Citizen Property Tax Deferral Program allows certain homeowners to defer taxes until death or sale of the home. A similar program is offered for Disability Tax Deferral, which does not have an age limitation.

ORS 307.250 allows a portion of the assessed value of a disabled veteran's or a veteran's surviving spouse's/partner's residential property to be exempt from property tax. The amount of the initial exemption is \$15,000 or \$18,000 of the assessed value of the property, dependent on meeting certain qualifications. Once the initial exemption is granted, the exemption amount increases by three percent each year.

Tax Rates and Collections. The following table presents the Fiscal Year 2026 tax rates for the City and other taxing jurisdictions within Washington County which overlap the City. The City's Operating Tax Rate Limit is \$3.6665 per \$1,000 of assessed property value. The Operating Tax Rate Limit was calculated in conjunction with the implementation of Measure 50 in 1997. The Permanent Rates shown in the following table are the rates that are actually applied to the assessed value of the taxing district. The Permanent Rates may be different from the Operating Tax Rate Limit of the taxing district due to the decision by the taxing district to levy less than its Operating Tax Rate Limit.

Fiscal Year 2026 Representative Levy Rate
(Rates per \$1,000 of Assessed Value)

General Government	Permanent Rate	Bond Levy Rate	Local Option Rate ⁽¹⁾	Consolidated Rate	Urban Renewal Portion of the Consolidated Rate ⁽²⁾
Washington County	\$ 2.2484	\$ 0.0602	\$ 0.6900	\$ 2.9986	\$ 0.1799
City of Hillsboro	3.6665	0.0000	1.7200	5.3865	0.2937
Metro	0.0966	0.3829	0.0960	0.5755	0.0077
Port of Portland	0.0701	0.0000	0.0000	0.0701	0.0056
Tualatin Soil & Water District	0.0900	0.0000	0.0000	0.0900	0.0071
Total General Government	<u>6.1716</u>	<u>0.4431</u>	<u>2.5060</u>	<u>9.1207</u>	<u>0.4940</u>
Education					
Hillsboro School District	4.9749	1.5221	0.0000	6.4970	0.4296
NW Regional ESD	0.1538	0.0000	0.0000	0.1538	0.0122
Portland Community College	0.2828	0.3519	0.0000	0.6347	0.0225
Total Education	<u>5.4115</u>	<u>1.8740</u>	<u>0.0000</u>	<u>7.2855</u>	<u>0.4643</u>
Total Tax Rate	\$ 11.5831	\$ 2.3171	\$ 2.5060	\$ 16.4062	\$ 0.9583

NOTE: County assessors report levy rates by tax code. Levy rates apply to the assessed property value. Measure 5 Limits are based on the Taxable Real Market Value and are only reported in total dollar amount of compression, if any, for each taxing jurisdiction (see "Local Revenue Sources - Property Taxes - Tax Rate Limitation - Measure 5" herein).

- (1) Local Option Levies are voter-approved serial levies. They are limited by ORS 280.060 to five years for operations or ten years for capital construction. Local Option Levy rates compress to zero before there is any compression of overlapping jurisdictions' Permanent Rates.
- (2) A portion of a taxing district's consolidated rate (excluding Local Option Levies and in some cases Bond Levies) is contributed to the North Hillsboro Industrial Area and Downtown Hillsboro Urban Renewal Area through division of tax.

Source: Washington County Department of Assessment and Taxation. Note that there are 36 tax codes in Washington County that overlap the City and Tax Code 7.01 has the highest property value of these tax codes. Total tax levies in the District range from \$15.8307 to \$20.2506 per \$1,000 of assessed property value.

Washington County⁽¹⁾
Tax Collection Record

Fiscal Year	Percent Collected as of Levy Year ⁽²⁾	6/30/2025 ⁽³⁾
2025	98.23%	98.23%
2024	98.90%	99.43%
2023	98.83%	99.81%
2022	99.05%	99.91%
2021	99.65%	99.97%
2020	99.81%	99.98%

- (1) Percentage of total tax levy collection in Washington County. Pre-payment discounts are considered to be collected when outstanding taxes are calculated. The tax rates are before offsets.
- (2) The percentage of taxes collected in the "year of the levy" represents taxes collected in a single levy year, beginning July 1 and ending June 30.
- (3) The percentage of taxes shown in the column represents taxes collected cumulatively from July 1 of a given levy year through June 30, 2025.

Source: Washington County Department of Assessment and Taxation.

Major Taxpayers
(As of Fiscal Year 2026)
City of Hillsboro

Taxpayer	Business/Service	Assessed Value ⁽¹⁾	Percent of Value	Tax ⁽²⁾
Intel Corporation ⁽³⁾	Semiconductors	\$ 5,522,509,876	22.10%	\$ 90,603,402
Offprints LLC ⁽⁴⁾	Software Company	1,343,004,316	5.37%	22,033,597
Portland General Electric Co. ⁽⁵⁾	Electrical Utility	699,214,810	2.80%	11,691,993
Genentech Inc.	Medicine research/manufacturing	460,550,987	1.84%	7,555,892
LinkedIn Corporation	Software Company	317,548,120	1.27%	5,574,365
LI Cortez LLC	Datacenter	279,740,370	1.12%	4,589,476
SI Poro ABS LLC	Datacenter	258,864,316	1.04%	4,325,859
Verizon Communications	Telecommunications	213,515,970	0.85%	3,533,804
Aligned Data Centers (PDX) Propco LLC	Datacenter	168,834,010	0.68%	2,769,925
Comcast Corporation	Telecommunications	167,346,840	0.67%	2,748,336
Subtotal - ten of District's largest taxpayers		9,431,129,615	37.74%	
All other District's taxpayers		15,557,457,486	62.26%	
Total District		\$ 24,988,587,101	100.00%	

Washington County

Taxpayer	Business/Service	Assessed Value ⁽¹⁾	Percent of Value	Tax ⁽²⁾
Intel Corporation ⁽³⁾	Semiconductors	\$ 5,843,924,106	6.08%	\$ 95,312,072
Portland General Electric Co. ⁽⁵⁾	Electrical Utility	1,687,415,220	1.76%	28,609,287
Nike, Inc.	Athletic Shoes and Apparel	1,537,938,729	1.60%	27,893,286
Offprints LLC	Software Company	1,343,004,316	1.40%	22,033,597
Maxim Integrated Products Inc.	Semiconductors	1,040,789,930	1.08%	18,232,600
Northwest Natural Gas Co.	Natural Gas Utility	550,225,530	0.57%	9,198,135
Pacific Realty Associates	Commercial Property Leasing	461,614,610	0.48%	8,261,125
Comcast Corporation	Telecommunications	447,428,960	0.47%	8,256,307
Genentech Inc.	Medicine research/manufacturing	460,550,987	0.48%	7,555,892
LinkedIn Corporation	Software Company	317,548,120	0.33%	5,574,365
Subtotal - ten of County's largest taxpayers		13,690,440,508	14.25%	
All other County's taxpayers		82,379,130,301	85.75%	
Total County		\$ 96,069,570,809	100.00%	

- (1) Assessed value does not exclude offsets such as urban renewal and farm tax credits.
- (2) Tax amount is the total tax paid by the taxpayer within the boundaries of the City and Washington County, respectively. This amount is distributed to individual local governments by Washington County. A breakdown of amounts paid to each individual local government is not available.
- (3) The assessed value and taxes do not include abated taxes or other fees negotiated under Intel's active SIP agreement. See "Revenue Sources - Property Taxes - Property Tax Exemption Programs" herein. Intel is one of the State's largest employers with approximately 16,100 employees. It has four main campuses in Oregon. Intel's Oregon administrative offices are in the City of Hillsboro. *Source: www.intel.com*. The company is currently facing challenges as a result of declining sales and leadership changes. Intel laid off approximately 3,000 employees in 2024 and an additional 3,069 employees in 2025 through multiple rounds of layoffs. *Source: Oregonlive.com and Intel*. These workforce reductions and any future reductions in workforce or operations at Intel could have a material negative impact on the economies of the City, County, region and State. Further, changes to operations could have a negative impact on property values and related property tax revenues. However, the City is not currently able to predict the impact of the layoffs or the extent or impact of any future reductions to the City's finances or operations. See "Certain Investment Considerations - Intel Layoffs" herein. The City does not expect to update this Official Statement with any changes or updates related to the layoffs or Intel's finances or operations.
- (4) Offprints LLC occupies leased datacenter space for its servers, networking hardware and related IT assets.
- (5) Portland General Electric is an electrical utility company with service area covering about 4,000 square miles and a population of about 2,000,000 people. The company generates electricity using hydropower, coal and gas combustion, and wind power. *Source: www.portlandgeneral.com*

Source: Washington County Department of Assessment and Taxation.

Federal Funding

The City is an Entitlement Community and receives Community Development Block Grants ("CDBG") through the US Department of Housing and Urban Development program. The primary objective of the CDBG Program is the development of viable urban communities, primarily for low and moderate-income persons, through decent housing, a suitable living environment, and expanded economic opportunity. The City's program focuses on homeownership opportunities and housing rehabilitation grants.

The City does receive some federal grants for specific programs or needs, but its core operations are not dependent on federal funding.

Other Taxes

Oregon cities and counties generally have broad authority to impose taxes on activities within their boundaries. Certain Oregon cities and counties currently impose business license taxes, food and beverage taxes, motor vehicle fuel taxes, transient room taxes and other taxes. Generally, these taxes must be either approved by the voters or may be subject to referral by the voters.

The Legislative Assembly generally has the authority to limit or prohibit local governments from imposing taxes, and has limited a number of local government taxes, including transient room taxes and real estate transfer taxes. Each local government has its own mix of taxes, as well as fees and other revenue sources.

Local Government Fees

Oregon cities and counties generally have broad authority to impose and collect fees for services. Many cities and counties collect sewer, water, electric and other enterprise fees, building permit fees, and surface water management fees.

Other local governments, such as special purpose districts, generally require legislative authorization to impose fees for services. Local governments that are authorized to operate utility systems generally are authorized to impose fees for services that are sufficient to pay for their costs of operating and financing their utility systems.

The Legislative Assembly generally has the authority to limit or prohibit local governments from imposing fees for services. Cities are currently authorized to collect franchise fees from utilities, while other local governments are prohibited from doing so. In Fiscal Year 2025, the City collected \$27,700,079 in franchise fees.

State of Oregon Funding

Oregon cities and counties receive a share of the revenues the State receives from taxing motor vehicle fuels. The Oregon Constitution requires that these revenues be used only to pay for costs of public roads. Oregon cities and counties also receive a share of the revenues the State of Oregon receives from tobacco taxes and liquor taxes.

The State of Oregon also appropriates money to Oregon counties to operate the justice system, and it provides a wide variety of funding for other purposes.

The State of Oregon is generally not obligated to continue to provide these revenues to local governments.

Financial Factors

Financial Reporting and Accounting Policies

The City's basic financial statements were prepared using modified accrual accounting in conformity with generally accepted accounting principles ("GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB").

Additional information on the City's accounting methods is available in the City's audited financial statements. A copy of the City's audited financial report for Fiscal Year 2025 is attached hereto as Appendix B.

Auditing

Each Oregon political subdivision must obtain an audit and examination of its funds and account groups at least once each year pursuant to the Oregon Municipal Audit Law, ORS 297.405-297.555. Political subdivisions having annual expenditures of less than \$150,000, with the exception of counties and school districts, are exempt from this requirement. All Oregon counties and school districts, regardless of amount of annual expenditures, must obtain an audit annually. The required audit may be performed by the State Division of Audits or by independent public accountants certified by the State as capable of auditing political subdivisions. Municipal Audit Law, ORS 297.405 to 297.555 and ORS 297.990, requires Oregon local governments to submit annual financial reports to the Secretary of State within six months of the end of the fiscal year. In the past five years, the City has met this deadline.

The City's audits for the Fiscal Year 2021 ("City Audited Financial Statements") were performed by Talbot, Korvola & Warwick, LLP, CPAs, Portland, Oregon. The City's audits for the Fiscal Year 2022 through 2025 were performed by Baker Tilly US, LLP (formerly Moss Adams LLP, CPAs,) Portland, Oregon. The audit report for Fiscal Year 2025 indicates the financial statements, in all material respects, fairly present the City's financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information and the respective changes in financial position and the cash flows, where applicable, in conformance with accounting principles generally accepted in the United States of America. The Auditor was not requested to review this Official Statement and has not completed any additional auditing review procedures subsequent to the issuance of their report on the 2025 Fiscal Year.

Future financial statements may be obtained from the Electronic Municipal Market Access ("EMMA") system, a centralized repository operated by the Municipal Securities Rulemaking Board ("MSRB"), currently located at: www.emma.msrb.org.

Summaries of the City's Governmental Activities Net Position and Changes in Net Position follow:

Governmental Activities Statement of Net Position (Fiscal Years)

Assets	2021	2022	2023	2024	2025
Cash and cash equivalents	\$ 65,197,069	\$ 38,216,483	\$ 40,217,504	\$ 40,186,510	\$ 45,800,225
Collections held by county treasurer	212,189	190,533	219,012	243,434	249,452
Cash held in escrow	-	-	-	-	796,564
Investments	199,175,779	207,075,204	230,051,918	277,530,302	306,034,264
Receivables, net	10,072,499	11,282,303	25,141,497	26,528,212	25,258,782
Internal balances	-	7,491	128,817	-	-
Lease receivable	4,360,823	4,237,209	4,677,069	4,371,213	4,259,950
Note receivable	719,596	698,605	638,183	608,429	8,578,376
Land held for resale	17,097,448	82,801,057	83,919,228	153,357,459	153,733,552
Prepaid asset, bond insurance	-	-	-	1,971,444	1,867,227
Capital assets not being depreciated	481,953,900	421,227,868	463,839,251	496,844,208	598,080,012
Capital assets, net	250,492,858	335,604,006	343,033,885	377,473,978	411,949,198
Lease assets, net	377,004	171,852	-	-	-
Net other post-employment benefits (OPEB) asset	946,277	1,526,109	1,438,478	1,739,005	2,096,743
Total Assets	<u>1,030,605,442</u>	<u>1,103,038,720</u>	<u>1,193,304,842</u>	<u>1,380,854,194</u>	<u>1,558,704,345</u>
Deferred Outflows of Resources					
Deferred pension differences	44,118,304	46,691,268	45,220,688	57,025,079	65,424,855
Deferred OPEB differences	992,129	878,966	2,412,343	2,188,730	1,969,345
Deferred charges on refunding	1,052,256	955,656	859,056	762,456	665,856
Total Deferred Outflows of Resources	<u>46,162,689</u>	<u>48,525,890</u>	<u>48,492,087</u>	<u>59,976,265</u>	<u>68,060,056</u>
Liabilities					
Accounts and claims payable	11,617,725	8,182,215	9,883,080	7,476,891	14,507,547
Accrued payroll payable	2,122,000	2,081,000	1,936,000	2,723,000	3,048,000
Deposits payable	1,837,606	1,944,570	13,444	100,096	257,310
Unearned revenue	9,414,533	5,975,369	6,115,262	5,752,494	1,359,583
Accrued interest payable	234,060	264,892	393,027	2,465,826	697,740
Worker's compensation claims payable	1,077,000	1,099,000	1,348,000	1,724,000	1,853,000
Long-term liabilities:					
Portion due or payable within one year:					
Compensated absences	3,558,139	3,573,989	3,329,048	3,993,966	4,372,794
Bonds payable, net	3,841,872	4,741,872	4,906,872	5,781,872	6,151,872
Notes payable	1,575,000	2,040,000	2,508,000	2,689,000	2,870,000
Lease and SBITA payable	221,511	59,805	751,350	1,115,559	1,072,653
Portion due or payable after one year:					
Net pension liability	109,546,804	63,403,603	86,632,002	124,976,540	132,186,942
Compensated absences	3,871,000	2,888,000	3,704,000	3,776,000	7,870,268
Total OPEB Liability	7,474,195	7,917,866	9,973,219	10,420,235	8,758,727
Bonds payable, net	76,755,349	72,013,477	79,606,605	154,359,733	147,027,861
Notes payable	44,241,000	42,201,000	39,693,000	37,004,000	34,134,000
Lease and SBITA payable	183,153	123,348	1,050,238	1,722,164	1,064,531
Total Liabilities	<u>277,570,947</u>	<u>218,510,006</u>	<u>251,843,147</u>	<u>366,081,376</u>	<u>367,232,828</u>
Deferred Inflows of Resources					
Deferred pension differences	3,087,076	48,875,526	24,459,704	7,186,647	13,579,738
Deferred OPEB differences	1,411,609	1,510,962	1,094,655	992,081	2,639,469
Deferred lease resources	4,360,823	4,237,209	4,677,069	4,371,213	4,259,950
Total Deferred Outflows of Resources	<u>8,859,508</u>	<u>54,623,697</u>	<u>30,231,428</u>	<u>12,549,941</u>	<u>20,479,157</u>
Net Position					
Net investment in capital assets	651,179,360	679,487,781	733,917,127	805,136,314	946,528,149
Restricted for:					
Law enforcement programs	1,183,570	1,105,222	1,113,450	1,159,064	1,134,290
Roads and paths maintenance	44,516,469	54,387,283	59,466,860	67,453,476	69,867,407
Building inspection	45,896,976	54,009,094	60,169,883	59,706,772	58,672,436
System development	15,033,082	21,060,105	21,909,295	32,871,251	36,217,068
Urban renewal	13,299,635	22,967,770	32,605,431	42,584,646	56,232,888
Parks mitigation	185,727	180,544	177,214	177,740	177,414
Parks and recreation services	198,860	404,712	727,309	1,138,054	1,672,277
OPEB Asset	946,277	1,526,109	1,438,478	1,739,005	2,096,743
Unrestricted	<u>17,897,720</u>	<u>43,302,287</u>	<u>48,197,307</u>	<u>50,232,820</u>	<u>66,453,744</u>
Total Net Position	<u>\$ 790,337,676</u>	<u>\$ 878,430,907</u>	<u>\$ 959,722,354</u>	<u>\$ 1,062,199,142</u>	<u>\$ 1,239,052,416</u>

Source: City Audited Financial Statements.

Governmental Activities Statement of Activities (Fiscal Years)

Revenues:	2021	2022	2023	2024	2025
Program Revenues:					
Fees, Fines, and Charges for services	\$ 41,373,537	\$ 64,048,552	\$ 84,679,930	\$ 59,545,866	\$ 78,521,180
Operating grants and contributions	11,272,584	47,448,123	12,159,540	13,350,412	13,642,275
Capital grants and contributions	51,766,215	17,102,359	38,406,607	55,639,001	110,014,018
General Revenues:					
Property taxes levied for:					
General purposes	55,161,229	59,434,341	67,194,878	75,349,241	80,578,371
Public safety	23,290,969	24,571,867	27,612,374	29,760,666	31,331,704
Library (levied by County)	5,632,298	5,801,267	5,975,305	6,035,058	6,155,759
Franchise fees	18,120,483	19,557,380	21,453,975	24,272,149	27,700,079
Other taxes/payments in lieu of property taxes	34,748,551	36,466,580	34,760,657	44,145,597	43,856,230
Earnings (losses) on investments	632,539	(7,088,216)	5,637,584	16,061,453	21,210,662
Transfers	(5,555,673)	(4,578,950)	(10,316,392)	(12,431,006)	(4,547,744)
Total Revenues	236,442,732	262,763,303	287,564,458	311,728,437	408,462,534
Expenses:					
General government	24,941,727	41,190,684	27,299,450	35,660,529	42,873,493
Public safety and judicial	74,375,649	69,407,628	78,756,137	90,723,225	95,502,740
Community service	12,693,360	12,169,666	13,497,101	13,177,485	15,510,160
Culture and recreation	27,926,620	31,358,480	37,591,306	40,803,737	44,733,516
Roads and bridges	16,377,526	16,977,619	46,076,572	21,275,437	23,387,235
Interest on long-term debt and fiscal charges	2,976,010	3,565,995	3,546,815	7,611,236	6,471,419
Total Expenses	159,290,892	174,670,072	206,767,381	209,251,649	228,478,563
Increase (decrease) in net position	77,151,840	88,093,231	80,797,077	102,476,788	179,983,971
Net position- July 1	<u>713,185,836</u>	<u>790,337,676</u>	<u>878,430,907</u>	<u>959,722,354</u>	<u>1,062,199,142</u>
Restatement of Net Position	-	-	494,370	-	(3,130,697)
Total Net Position	\$ 790,337,676	\$ 878,430,907	\$ 959,722,354	\$ 1,062,199,142	\$ 1,239,052,416

Note: Fiscal Year 2025 restatement due to implementation of GASB Statement 101.

Source: City Audited Financial Statements.

A five-year summary of the City's General Fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance follows.

General Fund Balance Sheet
(Fiscal Years)

Assets	2021	2022	2023	2024	2025
Cash and cash equivalents	\$ 3,939,594	\$ 6,179,478	\$ 5,025,557	\$ 1,035,442	\$ 4,709,377
Collections held by county treasurer	198,600	175,699	193,236	207,718	207,087
Investments	39,403,647	40,698,177	42,454,546	50,377,129	68,407,874
Receivables, net	5,979,507	6,785,478	7,495,555	7,271,275	8,016,766
Lease receivable	153,120	133,207	228,247	74,826	30,718
Interfund receivable	-	7,741	148,817	17,269	-
Total Assets and Other Debits	<u>49,674,468</u>	<u>53,979,780</u>	<u>55,545,958</u>	<u>58,983,659</u>	<u>81,371,822</u>
Liabilities, Deferred Inflow of Resources, and Fund Balances					
Liabilities:					
Accounts payable	1,321,081	1,762,822	1,570,649	1,135,969	1,681,022
Accrued payroll payable	1,538,000	1,512,000	1,376,000	1,898,000	2,108,000
Unearned revenue	9,414,533	554,350	1,034,757	830,112	1,011,324
Total Liabilities:	<u>12,273,614</u>	<u>3,829,172</u>	<u>3,981,406</u>	<u>3,864,081</u>	<u>4,800,346</u>
Deferred Inflow of Resources:					
Unavailable revenue, property taxes	914,712	903,180	1,008,933	1,129,041	1,244,303
Unavailable revenue, municipal court fines and fees	893,500	943,000	973,000	1,050,000	1,070,500
Unavailable revenue, leases	153,120	133,207	228,247	74,826	30,718
Unavailable revenue, other	143,181	75,807	248,210	290,164	248,387
Total Deferred Inflow of Resources:	<u>2,104,513</u>	<u>2,055,194</u>	<u>2,458,390</u>	<u>2,544,031</u>	<u>2,593,908</u>
Fund Balances:					
Restricted	193,559	203,783	255,994	380,710	29,021,067 ⁽¹⁾
Assigned	9,743,402	12,884,461	19,045,338	18,692,784	5,640,212 ⁽¹⁾
Unassigned	25,359,380	35,007,170	29,804,830	33,502,053	39,316,289
Total Fund Balances	<u>35,296,341</u>	<u>48,095,414</u>	<u>49,106,162</u>	<u>52,575,547</u>	<u>73,977,568</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balance	<u>\$ 49,674,468</u>	<u>\$ 53,979,780</u>	<u>\$ 55,545,958</u>	<u>\$ 58,983,659</u>	<u>\$ 81,371,822</u>

Note: The General Fund presented in the City's annual comprehensive financial report as displayed above is a combined General Fund account which includes the following subaccounts: Fund 100: General Operations; Fund 101: Capital Replacement; Fund 102: Public Arts; Fund 104: Affordable Housing; Fund 120: Economic Development; Fund 125 PERS Stabilization; and Fund 242 COVID-19 Response.

- (1) Historically, the City had classified balances related to the E-Zone Community Service Fee ("CSF") as Assigned. However, the CSF can only be used on specific activities and should more appropriately be classified as Restricted. In Fiscal Year 2025, approximately \$13 million moved from Assigned to Restricted to reflect this change. Also in Fiscal Year 2025, the County began assessing property valuation for data centers on the income method, when they had historically been assessed on the cost method. This substantially increased the assessed value on some data centers in the E-Zone abatement program and increased the CSF; collections were \$15.6 million in Fiscal Year 2025 compared to \$5.8 million in Fiscal Year 2024. However, multiple data centers are pursuing appeals regarding the change in valuation which could impact collections in Fiscal Year 2025 and beyond. The City cannot predict the outcome of those appeals.

Source: City Audited Financial Statements.

**General Fund Statement of Revenues, Expenditures and
Changes in Fund Balance**
(Fiscal Years)

Revenues	2021	2022	2023	2024	2025
Property and other taxes	\$ 83,152,883	\$ 88,376,316	\$ 95,144,209	\$ 99,906,115	\$ 103,765,275
Intergovernmental	1,714,554	18,626,112	1,865,196	1,937,892	11,984,653
Franchise fees	18,120,483	19,557,380	21,453,975	24,272,149	27,700,079
Licenses and permits	1,054,683	1,339,903	1,301,471	809,676	1,069,281
Fines, forfeitures, and penalties	561,450	524,162	524,894	664,788	657,747
Charges for services	1,426,498	3,615,678	4,939,502	5,848,032	6,621,483
Interest and investments	156,245	(1,760,992)	1,091,712	2,783,584	4,224,221
Miscellaneous	2,806,109	3,975,452	6,652,085	8,038,709	17,804,456
Grants, donations and other	584,352	18,690,088	1,167,857	770,218	1,416,001
Total Revenues	109,577,257	152,944,099	134,140,901	145,031,163	175,243,196
Expenditures					
Current:					
General government	11,484,404	29,570,544	12,504,557	14,489,158	23,942,663
Public safety and judicial	64,775,008	69,015,304	76,609,998	82,554,668	89,374,772
Community service	10,105,849	11,154,327	11,843,209	12,612,816	14,034,935
Culture and recreation	22,152,119	26,952,774	31,067,170	33,524,501	36,593,195
Roads and bridges	305,588	295,025	303,013	342,778	379,061
Debt service ⁽¹⁾	30,000	30,000	30,000	30,000	12,500
Capital outlay:					
General government	1,063,399	711,561	526,139	1,184,059	1,206,653
Total Expenditures	109,916,367	137,729,535	132,884,086	144,737,980	165,543,779
Excess (deficiency) of revenues over expenditures	(339,110)	15,214,564	1,256,815	293,183	9,699,417
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	6,115	37,743	17,324	37,313	10,577
Transfers in	3,695,000	1,995,000	2,595,000	3,233,015	11,756,985
Transfers out	(3,115,176)	(4,448,234)	(2,858,391)	(94,126)	(64,958)
Total Other Financing Sources (Uses)	585,939	(2,415,491)	(246,067)	3,176,202	11,702,604
Change in fund balance	246,829	12,799,073	1,010,748	3,469,385	21,402,021
Fund balance at beginning of year	35,049,512	35,296,341	48,095,414	49,106,162	52,575,547
Ending fund balance	\$ 35,296,341	\$ 48,095,414	\$ 49,106,162	\$ 52,575,547	\$ 73,977,568

Note: The General Fund presented in the City's annual comprehensive financial report as displayed above is a combined General Fund account which includes the following subaccounts: Fund 100: General Operations; Fund 101: Capital Replacement; Fund 102: Public Arts; Fund 104: Affordable Housing; Fund 120: Economic Development; Fund 125 PERS Stabilization; and Fund 242 COVID-19 Response.

(1) Building lease payments classified as debt service pursuant to GASB 87.

Source: City Audited Financial Statements.

Budgetary Process

The City prepares a biennial budget in accordance with Oregon Local Budget Law (ORS Chapter 294) which establishes standard procedures for all budget functions for Oregon local governments. Under the applicable provisions, there must be public participation in the budget process and the adopted budget must be balanced.

The City's administrative staff evaluates the budget requests of the various departments of the City to determine the funding levels of the operating programs. The budget is presented to the public through public hearings held by a budget committee consisting of City Council members and lay members. After giving due consideration to the input received from the citizens, the City Council adopts the budget, authorizes the levying of taxes and sets appropriations. The budget must be adopted no later than June 30 of each Biennial Year.

The budget may be amended during the applicable Biennial Year through the adoption of a supplemental budget. Supplemental budgets may be adopted by the City Council pursuant to ORS 294.471.

General Fund Adopted Budget
(Biennial Years)

Resources	2023-2025	2025-2027
Beginning Work Cap	\$ 46,550,678	\$ 69,498,829
Taxes	197,918,260	236,486,385
Licenses and Permits	1,626,065	1,548,490
Fines and Forfeiture	1,212,000	1,224,000
Charges for Services	11,558,224	11,312,640
Interest	1,340,328	4,839,000
Franchise Fees	46,672,600	61,392,870
Grants and Donations	1,961,046	\$4,254,714
Intergovernmental	9,109,055	7,996,875
Transfers in	27,340,000	44,813,340
Miscellaneous	32,481,856	24,385,010
Total Resources	\$ 377,770,112	\$ 467,752,153
<hr/>		
Requirements		
Personnel Services	\$ 204,623,839	\$ 235,575,950
Materials & Services	35,967,552	38,946,955
Capital Outlay	14,740,081	39,268,956
Special Payments	101,799,756	106,720,115
Debt Service	60,000	-
Transfers	10,688,825	34,669,550
Contingency	9,890,059	12,570,627
Total Requirements	\$ 377,770,112	\$ 467,752,153

Source: City Adopted Biennial Year 2025-2027 Budget.

Investments

ORS 294.035 authorizes Oregon political subdivisions to invest in obligations, ranging from U.S. Treasury obligations and Agency securities to municipal obligations, bankers' acceptances, commercial paper, certificates of deposit, corporate debt and guaranteed investment contracts, all subject to certain size and maturity limitations. No municipality may have investments with maturities in excess of 18 months without adopting a written investment policy which has been reviewed by the Oregon Short Term Fund Board. ORS 294.052 authorizes Oregon political subdivisions to invest proceeds of bonds or certificates of participation and amounts held in a fund or account for such bonds or certificates of participation under investment agreements if the agreements: (i) produce a guaranteed rate of return; (ii) are fully collateralized by direct obligations of, or obligations guaranteed by, the United States; and (iii) require that the collateral be held by the municipality, an agent of the municipality or a third-party safekeeping agent. The City has its own investment policy which is available upon request.

Political subdivisions are also authorized to invest approximately \$63.387 million (adjusted for inflation) in the Local Government Investment Pool of the Oregon Short-Term Fund, which is managed by the State Treasurer's

office. Such investments are managed in accordance with the “prudent person rule” (ORS 293.726) and administrative regulations of the State Treasurer which may change from time to time. Eligible investments presently include all of those listed above, as well as repurchase agreements and reverse repurchase agreements. A listing of investments held by the Oregon Short-Term Fund is available on the Oregon State Treasury website under “Other OSTF Reports – OSTF Detailed Monthly Reports” at [http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-\(OSTF\).aspx](http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-(OSTF).aspx).

Pension System

General. The City participates in a retirement pension benefit program under the State of Oregon Public Employees Retirement System (“PERS” or the “System”). After six full months of employment, all City employees are required to participate in PERS. Employer contribution rates are calculated as a percentage of covered payroll. Employees are required to contribute six percent of their annual salary as well; however, employers are allowed to pay the employees’ contribution in addition to the required employers’ contribution. See “Employer Contribution Rates” herein.

T1/T2 Pension Programs. Employees hired before August 29, 2003 participate in the “Tier 1” or “Tier 2” pension programs (the “T1/T2 Pension Programs”). The benefits provided through the T1/T2 Pension Programs are based primarily on a defined benefit model and provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Different benefit structures apply to participants depending on their date of hire. Between January 1, 2004 and June 30, 2020, six percent of each employee’s salary was contributed to fund individual retirement accounts under a separate defined contribution program known as the Individual Account Program (the “IAP”). Effective July 1, 2020, the six percent contribution for employees who earn in excess of \$2,500 per month (indexed annually for inflation) was split in two, with two-and-one-half percent of the employee’s salary deposited in the “Employee Pension Stability Account” (“EPSA”) and 3.50 percent of salary sent to the IAP. The threshold amount was raised in June 2021 to \$3,333 per month (indexed annually for inflation). Effective January 1, 2026, the monthly threshold for this contribution is \$3,890 per month. This policy will apply until the funded status reaches 90 percent.

OPSRP. Employees hired on or after August 29, 2003 participate in the Oregon Public Service Retirement Plan (“OPSRP”) unless membership was previously established in the T1/T2 Pension Programs. OPSRP is a defined benefit pension plan, but also provides access to the IAP. As stated above, effective July 1, 2020, the six percent contribution for employees that earn in excess of \$2,500 per month (indexed annually for inflation) was split in two, with 0.75 percent of the employee’s salary deposited in the EPSA and 5.25 percent of salary sent to the IAP. Effective January 1, 2026, the monthly threshold for this contribution split is \$3,890 per month. This policy will apply until the funded status reaches 90 percent.

RHIA/RHIPA. The Oregon PERS Health Insurance Program offers optional medical, dental, and long-term care insurance plans to eligible T1/T2 retirees, their spouses, and dependents. See “Other Postemployment Benefits, Retirement Health Insurance Account” herein.

Actuarial Valuation. Actuarial valuations are performed annually as of December 31 of each year and are designed to measure the liabilities, assets and funded status of the System for each employer, as well as determine employer contribution rates. The valuations are based on complex models which utilize assumptions on rates of return, payroll growth rates and demographic trends. The valuations as of December 31 of odd-number years are used by the Oregon Public Employees Retirement System Board (the “PERB”) to set employer contribution rates; valuations as of even-numbered years are used for advisory purposes only. Should the assumptions used in the actuarial model prove inaccurate, liabilities of the System may be higher or lower than estimated. Any increases or decreases in liabilities will be absorbed into future contribution rates assessed against employer payrolls. An employer’s unfunded actuarial liability (“UAL”) is equal to the excess of the actuarially determined present value of the employer’s benefit obligations to employees over the existing assets available to pay those benefits. PERS’ current actuary is Milliman, Inc. (“Milliman,” or the “Actuary”).

Actuarial valuations are performed for the entire System (the “System Valuation”), and for most participating employers, including the City (the “City Valuation”). Valuations are released nine to eleven months after the valuation date. Current payroll rates are based on the System’s actuarial valuation report as of December 31, 2023 (the “2023 System Valuation”), and those rates will extend through June 30, 2027, including the rates for the City.

The System's actuarial valuation report as of December 31, 2024 (the "2024 System Valuation"), which was released on December 17, 2025 provides projections of contribution rates for the 2027-2029 biennium. See "Actuarial Assumptions" and "Employer Contribution Rates" herein. Actual contribution rates for the 2027-2029 biennium will be set by the System's actuarial valuation report as of December 31, 2025, which is expected to be released late in calendar year 2026.

Valuation Date	Release Date	Rates Effective
December 31, 2021	October 2022	July 1, 2023 – June 30, 2025
December 31, 2022	December 2023	Advisory only for July 1, 2025 – June 30, 2027
December 31, 2023	October 2024	Current Rates: July 1, 2025 – June 30, 2027
December 31, 2024	December 2025	Advisory only for July 1, 2027 – June 30, 2029

System Actuarial Organization. An employer participates in PERS either on an independent basis, or through an actuarial pool, as follows:

T1/T2 Pension Programs

- *Independents:* An Independent Employer is one for whom its T1/T2 Pension Programs assets and liabilities are based on an actuarial analysis performed on its employee base. **The City is an independent employer.**
- *School District Pool:* All kindergarten through grade 12 public school district and education service district public employers are pooled for actuarial purposes for the T1/T2 pension programs (the "School District Pool"). Each School District Pool member's allocated share of the pool's assets and liabilities is based on the member's proportionate share of the School District Pool's pooled payroll, which share may shift in the future due to relative growth in payroll. Further, a school district's Allocated T1/T2 UAL may increase if other pool participants fail to pay their full employer contributions. The City is not a member of the School District Pool.
- *State and Local Government Rate Pool:* For the T1/T2 Pension Programs, all State agencies, certain Oregon local governments and all community college public employers are pooled (the "State and Local Government Rate Pool" or "SLGRP"). Each SLGRP member's allocated share of the pool's assets and liabilities is based on the member's proportionate share of the SLGRP's pooled payroll which share may shift in the future due to relative growth in payroll. Further, a SLGRP member's Allocated T1/T2 UAL may increase if other pool participants fail to pay their full employer contributions. The City is not a member of the SLGRP.

OPSRP

- *OPSRP's* assets and liabilities are pooled on a System-wide basis. These assets and liabilities are not tracked or calculated on an employer basis. The City's allocated share of OPSRP's assets and liabilities is based on the City's proportionate share of OPSRP's pooled payroll.

Actuarial Assumptions. Actuarial assumptions are set each biennium and are applied to the System's valuations. Significant actuarial assumptions and methods used since the 2020 System Valuation included (a) the Entry Age Normal method, (b) asset valuation method based on market value, (c) the assumed earnings rate (the "Assumed Rate") on the investment of present and future assets of 6.90 percent, (d) payroll growth rate of 3.40 percent, (e) consumer price inflation of 2.40 percent per year, (f) UAL amortization method of a level percentage of payroll, with the 2019 UAL attributable to the Tier 1 and Tier 2 pension programs amortized over a 22-year period, and all subsequent UALs attributable to Tier 1 and Tier 2 amortized over a 20-year period. Any UAL attributable to OPSRP is amortized over 16 years (fixed) from the date of the first rate-setting valuation at which the UAL is recognized, (g) a rate collar to limit increases or decreases in employer contribution rates from biennium to

biennium (the “Rate Collar”) (see “Rate Collar” herein), and (h) a portion of the IAP is redirected to the EPSA resulting in a direct offset and reduction of Employer contribution.

Employer Contribution Rates. Employer contribution rates are calculated as a percent of covered payroll. The rates are based on the current and projected cost of benefits and the anticipated level of funding available from the Oregon Public Employees Retirement Fund (“OPRF”), including anticipated investment performance of the fund. Contribution rates are subject to future adjustment based on factors such as the result of subsequent actuarial valuations, litigation, decisions by the PERB and changes in benefits resulting from legislative modifications. Pursuant to ORS 238.225, all participating employers are required to make their contribution to PERS based on the employer contribution rates set by the PERB. Employees are required to contribute six percent of their annual salary to the IAP and, if applicable, the EPSA. Employers are allowed to pay the employees’ contribution in addition to the required employers’ contribution. The City pays the employee contribution for both Hillsboro Police Officer Association unions. All other employee contributions to the IAP are made by the employee.

Rate Collar. The PERB uses a rate collar (the “Rate Collar”) to limit increases (or decreases) in employer contribution rates from biennium to biennium in order to smooth the impact of significant increases or decreases from one valuation to the next.

Beginning with the 2023-25 biennium, for employers participating in either the School District pool or the SLGRP, the collar are applied as a fixed percentage of payroll, with a limit of three percent of pay for the Tier 1/Tier 2 UAL rate and one percent of pay for OPSRP rate. Further, reductions in the UAL rate are not allowed unless a funded level threshold of at least 88 percent is reached, at which point a portion of the reduction would be allowed, gradually increasing until the funded status reaches 90 percent, when the full reduction would be permitted. For employers, such as the City who participate in neither pool and have independent valuations, the width of the rate collar is wider, with increases in the Tier 1/Tier 2 UAL Rate limited to the greater of four percent of pay or one-third of the difference between the collared and uncollared UAL rates at the last rate-setting valuation. The collar for OPSRP continues to be 1 percent, as it is for all other employers. As is the case for employers who participate in the pools, the UAL Rate is not allowed to decrease until the employer reaches a minimum funded level of 88 percent.

System Funded Status & UAL. According to the 2024 System Valuation, the UAL for the System as of December 31, 2024 was \$29.2 billion, and the funded status, excluding Side Accounts for the System, was approximately 73 percent. This maintains approximately the same UAL and funded status as in the 2023 Valuation, which estimated that the UAL for the System was \$29.4 billion and the funded status was approximately 72 percent, excluding side accounts.

The funded status of PERS and related contribution rates of the City will change over time depending on a variety of factors, including the market performance of the investments in which the OPRF is invested, future changes in compensation and benefits of covered employees, demographic characteristics of members, methodologies and assumptions used by the actuary in estimating the assets and liabilities of PERS, legislative or judicial actions, and other actions taken by the PERB. The annual rate of return on the OPRF in 2024 was 5.71 percent, which was lower than the assumed earnings rate of 6.90 percent. Year to date return in 2025 through October was 7.49 percent. Total returns in 2026 and thereafter, along with the factors mentioned above, may affect the System-wide and City UALs and related contribution rates in future valuations. Under current PERS policies, modification to contribution rates based upon investment performance in 2026 and 2027 will occur during the 2027-29 biennium.

The table below includes the UAL and funded status for the System from the five most recent actuarial valuations.

Unfunded Actuarial Liability and Funded Status⁽¹⁾
(\$ in millions)

Valuation Date	System ⁽²⁾	
	UAL	Funded Status
12/31/24	\$ 29,200.0	73.0%
12/31/23	29,381.3	72.4%
12/31/22	28,032.9	72.8%
12/31/21	20,038.2	79.6%
12/31/20	28,043.8	70.6%

(1) Does not take into account offsets for deposits made by individual employers from pension bond proceeds or cash on hand in side accounts (see "Side Accounts and Pension Bonds" herein).

(2) System UAL includes total of SLGRP, School District Pool, Independent Employers, and OPSRP.

Source: *System Valuations and PERS*.

Side Accounts and Pension Bonds. In Fiscal Year 2018, the City used cash resources to make a lump sum payment to PERS. The lump sum payment was deposited into a "side account" (the "Side Account") that amortizes over a fixed period and reduce the contribution rates. The City was awarded a State match in Fiscal Year 2019 to further reduce its future contribution rates.

The City made a lump sum deposit to PERS as follows:

Year of Deposit	Original Deposit	Value of Side Account as of 2024 Valuation ⁽¹⁾		Source of Funds	End Date of Rate Credits
		Valuation	Balance		
2018	\$ 5,000,000	---	---	Cash	12/31/37
2019	1,250,000	---	---	State Match	12/31/37
Total	\$ 6,250,000		\$ 6,904,705		

(1) Both deposits are kept in a single side account, therefore a breakout of the balance per deposit is not available.

Source: *The City of Hillsboro and PERS*.

Net Unfunded Actuarial Liability. The City's net unfunded pension UAL is the total of the City Allocated T1/T2 UAL and City Allocated OPSRP UAL, less the balance in the City's Side Account, if any. The City's net unfunded pension UAL as reported in the City's actuarial valuation reports as of December 31, 2021 (the "2021 City Valuation"), December 31, 2022 (the "2022 City Valuation") December 31, 2023 (the "2023 City Valuation") and as of December 31, 2024 (the "2024 City Valuation") is shown in the following table.

**City of Hillsboro
Net Unfunded Pension Liability**

	2020 Valuation	2021 Valuation	2022 Valuation	2023 Valuation	2024 Valuation
Allocated pooled T1/T2 UAL	\$ 113,898,683	\$ 97,219,014	\$ 130,006,595	\$ 144,964,431	\$ 156,805,571
Allocated pooled OPSRP UAL	15,980,292	9,906,778	22,040,046	26,169,490	27,729,111
City Side Account	<u>(7,187,732)</u>	<u>(8,403,007)</u>	<u>(7,663,155)</u>	<u>(7,366,690)</u>	<u>(6,904,705)</u>
Net unfunded pension actuarial accrued liability	<u>\$ 122,691,243</u>	<u>\$ 98,722,785</u>	<u>\$ 144,383,486</u>	<u>\$ 163,767,231</u>	<u>\$ 177,629,977</u>

Source: *City Valuations from PERS*.

City Contribution Rates. The City's prior contribution rates for the 2023-25 biennium under the 2021 City Valuation, current rates for the 2025-27 biennium under the 2023 City Valuation, and advisory only rates for the 2027-29 biennium under the 2024 City Valuation are provided in the following table.

City of Hillsboro
Pension Contribution Rates (Percent of Covered Payroll)

	2021 Valuation			2023 Valuation			2024 Valuation		
	2023-25 Biennium			2025-27 Biennium			Advisory Only - 2027-29 Biennium		
	T1/T2	OPSRP General	OPSRP P&F	T1/T2	OPSRP General	OPSRP P&F	T1/T2	OPSRP General	OPSRP P&F
Normal cost rate	17.72	9.89	14.68	17.79	10.47	15.74	17.23	10.35	15.74
T1/T2 UAL rate	8.37	8.37	8.37	10.83	10.83	10.83	11.14	11.14	11.14
Multnomah Fire District #10 UAL rate	0.15	0.15	0.15	0.06	0.06	0.06	0.06	0.06	0.06
OPSRP UAL rate	1.69	1.69	1.69	2.69	2.69	2.69	2.92	2.92	2.92
Side account rate relief	(0.85)	(0.85)	(0.85)	(0.66)	(0.66)	(0.66)	(0.62)	(0.62)	(0.62)
Member redirect offset ⁽¹⁾	(2.40)	(0.65)	(0.65)	(2.40)	(0.65)	(0.65)	(2.40)	(0.65)	(0.65)
Retiree Healthcare rate (RHIA) ⁽²⁾	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total net contribution rate (%)	24.68	18.60	23.39	28.31	22.74	28.01	28.33	23.20	28.59

- (1) Redirected member contributions (2.50 percent of payroll for Tier 1/Tier 2 and 0.75 percent of payroll for OPSRP) will be used to offset employer contribution rates. The redirect of the IAP does not apply to members with monthly pay below a certain threshold. The values shown in the table incorporate an estimate of the effect of this limitation. (See "Pension System herein").
- (2) Contribution rates to fund RHIA benefits are included in the total City employer contribution rate, but are not a cost related to pensions. See "Other Postemployment Benefits – Retirement Health Insurance Account" below.

Source: 2021 City Valuation, 2023 City Valuation, 2024 City Valuation.

City Contributions. The City's historical and projected annual contributions to PERS are provided in the following table.

City of Hillsboro
Pension Contributions

Fiscal Year	City Contribution ⁽¹⁾
2027 ⁽²⁾	\$ 33,274,000
2026 ⁽²⁾	31,500,000
2025	23,664,000
2024	20,925,000
2023	18,241,000
2022	16,784,000
2021	14,102,000

- (1) City's contribution to PERS which includes the employee contribution paid by the City and is net of the side account rate credit draw.
- (2) Budgeted.

Source: The City and City Audited Financial Statements.

GASB 67 and GASB 68. GASB Statements No. 67 and No. 68 modify the accounting and financial reporting of pensions by state and local governments and pension plans. Statement No. 67 ("GASB 67"), Financial Reporting for Pension Plans, addresses financial reporting for state and local government pension plans. Statement No. 68 ("GASB 68"), Accounting and Financial Reporting for Pensions, establishes accounting and financial reporting requirements for governments that provide their employees with pensions. The PERS System is subject to GASB 67; each participating employer, including the City is subject to GASB 68. PERS contracted with Milliman to provide information for local governments to use in their financial statements.

The City's proportionate share of the System's net pension liability and pension expense under GASB 68 follows.

City of Hillsboro
Pension Amounts under GASB 68

Measurement Date	City's Share of Net Pension Liability	City's Proportionate Share	Pension Expense
6/30/2024	\$ 152,524,822	0.6862%	\$ 29,023,323
6/30/2023	143,329,252	0.7652%	30,753,728
6/30/2022	99,830,671	0.6520%	17,983,380
6/30/2021	72,999,105	0.6100%	14,012,114
6/30/2020	125,640,315	0.5757%	30,498,491

Source: Oregon Public Employees Retirement System- GASB 68 Exhibits prepared by Milliman.

Other Postemployment Benefits

Retirement Health Insurance Account. PERS retirees who receive benefits through the Tier 1 and Tier 2 plans and are enrolled in certain PERS administered health insurance programs, may receive a subsidy towards the payment of health insurance premiums. Under ORS 238.420, retirees may receive a subsidy for Medicare supplemental health insurance of up to \$60 per month towards the cost of their health insurance premium under the RHIA plan. The RHIA program's assets and liabilities are pooled on a system-wide basis and are not tracked or calculated on an employer basis. According to the 2024 Valuation, this program had a surplus of approximately \$434 million as of December 31, 2024. The City's allocated share of the RHIA program's assets and liabilities is based on the City's proportionate share of the program's pooled payroll. According to the 2024 City Valuation, the City's allocated share of the RHIA program's surplus was \$2,768,136.

Medical Benefits - Implicit Subsidy. Under ORS 243.303 the City is required to offer the same healthcare benefits for current City employees to all retirees and their dependents until such time as the retirees are eligible for Medicare. GASB Statement No. 75 refers to this as an "implicit subsidy" and requires that the corresponding liability be determined and reported. The benefits under this program are entirely paid by the retired employees.

The City's projections of total OPEB Liability under GASB 75 follows:

Projection of Total OPEB Liability - Implicit Rate Subsidy

	2021	2022	2023	2024	2025
Total Liability Beginning of Fiscal Year	\$ 8,600,597	\$ 8,991,277	\$ 9,496,567	\$ 12,020,381	\$ 12,542,073
Changes for the year:					
Service costs	\$ 513,430	\$ 613,568	\$ 634,025	\$ 706,784	\$ 718,525
Interest	312,795	208,361	215,363	441,622	473,262
Changes of assumptions	387,137	-	1,481,807	(118,385)	(1,489,419)
Economic/demographic gains or losses	(465,576)	40,466	514,514	-	(1,000,710)
Benefit payments	(357,106)	(357,105)	(321,895)	(508,329)	(594,343)
Balance end of Fiscal Year	<u>\$ 8,991,277</u>	<u>\$ 9,496,567</u>	<u>\$ 12,020,381</u>	<u>\$ 12,542,073</u>	<u>\$ 10,649,388</u>

Source: City Audited Financial Statements.

See Note 14 "Other Post-Employment Benefits" of the City's audited financial statements for Fiscal Year 2025 for more information on the City's liability under GASB 75.

Paid Leave

In 2019, the Legislature adopted House Bill 2005 ("HB 2005") to create a family and medical leave insurance program to provide to employees and certain other individuals compensated time off from work for up to 12 weeks to: (1) care for a child following birth or adoption; (2) care for a family member with a serious health condition; or (3) recover from an individual's own serious health condition. Unless employers have an equivalent program in place, they are required to withhold and contribute 0.6 percent of each worker's wages as the employee contribution to the fund. For larger organizations — with 25 or more employees — the employer is also responsible for contributing on behalf of each of their workers. In those cases, the employer contribution is

0.4 percent of wages. The program has a ceiling for annual wages at \$132,900 for each employee. The Oregon Employment Department began collecting these contributions January 1, 2023. Employees are able to apply for leave benefits as of September 3, 2023. The required contributions are not expected to have a material impact on the City's finances, however, there are additional, unknown costs in situations where the City will need to hire and/or backfill certain positions with overtime. The City cannot predict how many employees will take leave or when they will take leave, nor can it predict the potential implications on the finances or operations of the City.

Risk Management

The City is exposed to various risks of loss. A description of the risks is provided in the City's audited financial statements. The audited financial statement for Fiscal Year 2025 is attached hereto as Appendix B. See also "Certain Investment Considerations" herein.

Demographic Information

General

The City is located in northwestern Oregon, approximately 17 miles southwest of Portland, in Washington County (the "County"). The City is part of the Portland-Vancouver-Hillsboro Primary Metropolitan Statistical Area (the "Portland PMSA") which is the 24th largest U.S. metro area.

Historical data has been collected from generally accepted standard sources, usually from public bodies. This section bases information on the Portland PMSA, the County and the City.



Population

The following table shows the historical population for the State, the County and the City.

Population			
July 1 ⁽¹⁾	State of Oregon	Washington County	City of Hillsboro
2025	4,300,464	618,037	112,035
2024	4,286,443	614,012	111,024
2023	4,269,152	610,395	109,876
2022	4,255,112	606,515	108,595
2021	4,234,736	602,231	107,513
April 1 ⁽²⁾			
2020	4,237,256	600,372	106,447
2010	3,831,074	529,710	91,611
2000	3,421,399	445,342	70,186

(1) Source: Center for Population Research and Census, Portland State University, revised estimates as of July 1, 2025.

(2) Source: U.S. Census Count on April 1.

Economic Overview

The County's primary economic base is professional and business services and manufacturing. Major employers in the City include Intel, Hillsboro School District, Washington County, Tokyo Electron America, ASML, and OHSU Hillsboro Center. See "Major Employers of the City" below.

As of September 2025, professional and business services accounted for 17.5 percent of the total non-farm employment in the County, while trade, transportation and utilities accounted for 17.4 percent, manufacturing for 15.5 percent, private education and health services 14.5 percent, and leisure and hospitality 9.2 percent.

Income. Historical personal income and per capita income levels for the County and the State are shown below.

**Washington County and State of Oregon
Total Personal and Per Capita Income**

Year	Washington County				State of Oregon			
	Dividends, Interest, Rent		Per Capita Dividends, Interest, Rent		Dividends, Interest, Rent		Per Capita Dividends, Interest, Rent	
	Personal Income (\$000 Omitted)	(\$000 Omitted)	Per Capita Income	Interest, Rent	Personal Income (\$000 Omitted)	(\$000 Omitted)	Per Capita Income	Interest, Rent
2024	N/A	N/A	N/A	N/A	\$ 302,582,300	\$ 63,384,200	\$ 70,823	\$ 14,836
2023	\$ 47,393,333	\$ 9,173,988	\$ 79,139	\$ 15,319	286,979,900	59,918,200	67,467	14,086
2022	45,084,175	8,333,430	75,130	13,887	270,427,900	52,771,400	63,669	12,424
2021	45,012,261	9,225,582	74,715	15,313	266,544,600	50,392,900	62,653	11,845
2020	40,453,056	8,012,625	67,295	13,329	240,450,400	44,192,400	56,660	10,413
2019	36,989,651	6,917,237	61,818	11,560	220,029,400	43,082,000	52,190	10,219

Note: Dollar estimates are in current dollars (not adjusted for inflation).

Source: U.S. Department of Commerce, Bureau of Economic Analysis; County data as of November 16, 2024; state data as of September 26, 2025.

Employment. Non-farm employment within the County is described in the following tables:

**Washington County
Labor Force Summary ⁽¹⁾
(by place of residence)**

	2020	2021	2022	2023	2024	2025 ⁽²⁾	<u>2025 Change from</u>				
							2020	2021	2022	2023	2024
Civilian Labor Force	321,783	329,075	335,719	337,471	340,228	344,039	22,256	14,964	8,320	6,568	3,811
Unemployment	20,750	14,184	10,936	10,844	12,560	16,686	-4,064	2,502	5,750	5,842	4,126
Percent of Labor Force	6.4%	4.3%	3.3%	3.2%	3.7%	4.9%	---	---	---	---	---
Total Employment	301,033	314,891	324,783	326,627	327,668	327,353	26,320	12,462	2,570	726	-315

Non-Agricultural Wage & Salary Employment ⁽³⁾

	2020	2021	2022	2023	2024	2025 ⁽²⁾	<u>2025 Change from</u>				
							2020	2021	2022	2023	2024
Total Nonfarm Payroll Employment	287,100	293,800	306,800	311,500	311,000	303,500	16,400	9,700	-3,300	-8,000	-7,500
Total Private	264,800	271,300	283,300	287,100	285,700	277,800	13,000	6,500	-5,500	-9,300	-7,900
Mining, logging and construction	17,200	18,000	19,000	19,500	19,400	18,600	1,400	600	-400	-900	-800
Manufacturing	51,100	51,600	55,300	54,700	53,200	47,000	-4,100	-4,600	-8,300	-7,700	-6,200
Trade, transportation, and utilities	50,300	53,000	53,100	53,300	53,100	52,800	2,500	-200	-300	-500	-300
Information	7,400	7,300	7,600	7,500	7,300	7,000	-400	-300	-600	-500	-300
Financial activities	17,900	17,900	17,600	17,700	17,100	17,400	-500	-500	-200	-300	300
Professional and business services	53,600	53,900	56,800	56,800	54,800	53,100	-500	-800	-3,700	-3,700	-1,700
Private education and health services	37,400	37,800	38,500	40,500	43,200	44,000	6,600	6,200	5,500	3,500	800
Leisure and hospitality	21,200	22,600	25,600	26,900	27,200	27,800	6,600	5,200	2,200	900	600
Other services	8,800	9,400	9,800	10,300	10,400	10,100	1,300	700	300	-200	-300
Government	22,200	22,500	23,500	24,400	25,300	25,500	3,300	3,000	2,000	1,100	200

(1) Civilian labor force includes employed and unemployed individuals 16 years and older by place of residence. Employed includes nonfarm payroll employment, self-employed, unpaid family workers, domestics, agriculture and labor disputants. Data are adjusted for multiple job-holding and commuting.

(2) Data for month of September; preliminary and subject to change.

(3) Nonfarm payroll data are based on the 1987 Standard Industrial Classification manual. The data are by place of work. Persons working multiple jobs are counted more than once. The data excludes the self-employed, volunteers, unpaid family workers, and domestics.

Source: State of Oregon Employment Department.

Major Employers in the City

Company	Service	No. Employees
Intel Corporation ⁽¹⁾	Computer Electronics and Related Devices	16,100
Hillsboro School District	Education	2,556
Washington County	County Government	2,442
OHSU Hillsboro Center	Hospitals	1,370
City of Hillsboro	Local Government	1,329
Tokyo Electron America	Semiconductors and Related Devices	1,200
ASML	Manufacturer	1,200
Kaiser Permanente	Hospitals	1,064
Thermo Fisher Scientific	Laboratory Analytical Instruments	1,062
Amazon	Retail Delivery	1,062

Note: Employment figures may include employees across multiple campuses in and outside the City, full-time and part-time employees and may not include seasonal or temporary employees.

(1) Intel has reduced its workforce in recent years by approximately 6,000 as a result of declining sales and leadership changes. These workforce reductions and any future reductions in workforce or operations at Intel could have a material negative impact on the economies of the City, County, region and State. See "Certain Investment Considerations - General - Intel Layoffs" below.

Source: *The City of Hillsboro and City Fiscal Year 2025 audit* sourcing City of Hillsboro, Business Licenses.

Building Permits. Residential building permits are an indicator of growth within a region. The number and valuation of new single-family and multi-family residential building permits in the City are listed below:

City of Hillsboro Residential Building Permits

Year	New Single Family			New Multi Family			Total	
	Number	Construction Cost	Number	Units	Construction Cost	Construction Cost		
2025 ⁽¹⁾	203	\$ 65,900,765	1	18	\$ 3,286,607	\$ 69,187,372		
2024	508	157,958,739	-	-	-	-	157,958,739	
2023	293	87,204,183	24	318	61,517,969	148,722,152		
2022	313	88,844,145	21	538	79,477,665	168,321,810		
2021	641	176,487,377	4	268	41,919,687	218,407,064		
2020	427	118,595,953	-	-	-	118,595,953		

(1) Permits issued as of August 2025.

Source: U.S. Census Bureau.

Higher Education. Institutions of higher education in the City and surrounding area include Oregon Health & Science University's west campus, Portland Community College - Rock Creek Campus, Pacific University and a branch of University of Phoenix. City residents can also access educational resources throughout the PMSA.

Healthcare. Healthcare services are available through OHSU/Tuality Healthcare facilities located throughout the City. Tuality offers a range of services including health education, birthing care, physical rehabilitation, mental health, cancer treatment, diagnostic imaging, laboratory, out-patient, home health, nutrition, and addiction counseling. Additional health care services are provided by Kaiser Permanente, Providence Health Services, and the Department of Veterans Affairs.

Transportation. The City is located off of US Highway 26 which connects the eastern and western borders of the State. Community air transportation is available at Hillsboro Airport, operated by the Port of Portland. Commercial air transportation is available at Portland International Airport ("PDX"). PDX is served by 18 scheduled passenger air carriers and three charter services. Thirteen cargo carriers service PDX.

BNSF Railway Company (Burlington Northern Santa Fe) and Union Pacific railroads provide rail freight service to the area and Amtrak provides rail passenger service. Interstate bus transportation is available through Greyhound and local bus service and commuter light rail service is provided by the Tri-County Metropolitan Transportation District (Tri-Met).

Certain Investment Considerations

In addition to factors set forth elsewhere in this Official Statement, this section describes certain factors and considerations that purchasers of the Bonds should carefully consider in connection with an investment in the Bonds. The following is not meant to present an exhaustive list of the risks and considerations associated with the purchase of any Bonds (and other considerations that may be relevant to particular investors) and the order in which the information is presented does not necessarily reflect the relative importance of the various factors. Prospective investors are advised to consider the following factors, along with all other information contained or incorporated by reference in this Official Statement, in evaluating whether to purchase the Bonds. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value and/or in the marketability of the Bonds. There can be no assurance that other risk factors not discussed herein will not become material in the future.

General

Economic Considerations. Global and national economic conditions may have had, and may in the future have, significant effects on the finances and operations of the City and its property taxes and revenues. No assurance can be given that future changes in economic conditions will not have an effect on the City and its finances and operations, nor can there be any assurances the changes in economic conditions will not have an impact on the taxpayers and ratepayers of the City. It is difficult for the City to predict the occurrence of such economic changes or the potential effect on the finances and operations of the City and its property taxes and revenues until the extent and duration of such changes are known.

Intel Layoffs. Intel is one of the State's largest employers with approximately 16,100 employees and eight campuses in Oregon. Intel's Oregon administrative offices are in the City. Intel reduced headcount in Oregon by approximately 3,000 positions in 2024 through layoffs, buyouts and attrition. Intel announced an additional 3,069 layoffs in 2025, at the Aloha and Hillsboro, Oregon locations. These workforce reductions and any future reductions in workforce or operations at Intel could have a material negative impact on the economies of the City, County, region and State. Further, changes to operations could have a negative impact on property values and related property tax revenues. However, the City is not currently able to predict the impact of the layoffs or the extent or impact of any future reductions to the City's finances or operations. The City does not expect to update this Official Statement with any changes or updates related to the layoffs or Intel's finances or operations.

Public Health Considerations. The financial and operating condition of the City may be materially affected by a national or localized outbreak of an infectious disease, such as the outbreak of avian influenza, measles, COVID-19, or other highly contagious or epidemic disease (an "Outbreak"). There can be no assurances that an Outbreak, including COVID-19 in the State, nationally and globally, will not materially affect the City, state and national economies and accordingly, materially adversely affect the operations and financial condition of the City. The City cannot predict the effects of such events.

Cybersecurity

The City, like other public and private entities, relies on a large and complex technology environment to conduct its operations, and consequently faces the threat of cybersecurity incidents. The City and its departments routinely face cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on computers and other sensitive digital networks and systems. Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the City's information technology systems to misappropriate assets and/or information or to cause operational disruption and damage. The City has not had a material Cybersecurity incident in the past five years. However, one of the City's vendors, CrowdStrike, released a patch without thoroughly testing it. This patch was automatically installed on millions of computers around the world including the City's. As a result, a significant portion of the City's desktop and server computers crashed. It took approximately 36 hours for the

City to completely recover from this incident. While unintentional, it did have a significant impact on City operations although there were no financial implications and the City didn't lose data nor was any compromised.

To reduce and mitigate the risk of business operations impact and/or damage from cybersecurity incidents, the City has invested in multiple forms of cybersecurity and operational safeguards. No assurances can be given that the security and operational control measures of the City will be successful in guarding against any and each cyber threat and attack.

The results of any attack on the computer and information technology systems could have a material adverse impact on the operations of the City and damage the digital networks and systems. The City cannot predict the outcome of any such attack, nor its effect on the operations and finances of the City.

Environmental Considerations

The City, like all communities in the State, may be subject to unpredictable natural or man-made disasters, such as seismic events, seasonal storms, excessive/high winds, flood, fire, toxic dumping or acts of terrorism, any of which could adversely affect the City and the collection and receipt of revenues. In the event of such calamities, there may be significant damage to both property and infrastructure, including the City's facilities. The occurrence of a severe natural disaster could have negative effects on the economic, financial and operational status of both the City and its citizens, which could have an adverse impact on the City's ability to make payments of principal and interest on the Bonds.

Seismic and Tsunami Risks. The City is located in an area of seismic activity, with frequent small earthquakes and occasional moderate to larger earthquakes on the coast. The scientific consensus is that the Pacific Northwest region is subject to periodic great earthquakes along the Cascadia Subduction Zone, a large fault that runs offshore from Northern California to British Columbia. Historically, the Pacific Northwest has experienced 8.7 to 9.1 magnitude earthquakes every 300 to 400 years, and such seismic event has not occurred since at least 1700. Such an earthquake would cause widespread damage to structures and infrastructure in affected portions of the State, and potentially catastrophic damage in coastal areas inundated by a possible accompanying tsunami. The City cannot predict how such seismic activity could impact its revenue sources. This kind of regional disaster could result in a significant, and perhaps permanent, loss of population and business as well as significant damage to both property and infrastructure.

Wildfire Risks. In recent years, portions of the State have experienced wildfires that have burned millions of acres and destroyed thousands of homes and structures. Within the last five years, the City has not experienced material wildfire damage within its boundaries. Property damage due to future wildfires could result in a significant decrease in the assessed value of property of the City. It is not possible for the City to make any representation or prediction regarding the extent to which wildfires could cause reduced economic activity within the boundaries of the City or the extent to which wildfires may affect the value of taxable property within the City.

Severe Weather. Many areas across the State have experienced severe weather events such as heavy rainfall, windstorms, and snow and ice storms. The Portland Metro area is vulnerable to severe winter weather, and these storms can have negative impacts on property. The City has not withstood damage as a result of any material severe weather event in the past five years.

No Acceleration; Limitation of Remedies

The Bonds are not subject to acceleration. The rights of holders are limited by the terms of the Declaration. See "Description of the Bonds – Default and Remedies" herein.

Change in Law

State legislation is introduced before the Oregon Legislative Assembly and as described below, initiatives and referenda are placed on the ballot from time to time that could affect the finances or operations of the City. The City cannot predict whether any such legislation, initiative or referenda will be introduced, enacted or approved in the future, nor can it predict the potential implications on the finances or operations of the City.

Federal and State Actions

Federal and State statutory and regulatory changes, administrative rulings, interpretations of policy, funding restrictions, whether taken as part of federal or State budgetary actions or otherwise, may reduce funds made available to the City to support certain programs and operations. At the same time, the federal or State government may maintain or increase the responsibilities of the City in certain areas, notwithstanding reductions in federal or State funding for such activities. It is difficult for the City to predict the occurrence of such federal or State government changes or the potential effect on the finances and operations of the City until the extent and duration of such changes are known.

Federal Funding Uncertainty. The City receives federal funding for various purposes including program grants. See "Revenue Sources – Federal Funding" herein. The Trump administration has recently issued a series of executive orders and implemented policies purporting to suspend or limit federal spending and funding to state and local governments. Certain of these actions have been challenged in court and in some cases enjoined. These federal policies, and potentially future federal policies, if implemented, may adversely impact federal revenues received by the City.

Tariffs. Federal tariffs imposed on international products could increase the cost and timeline of capital projects of the City. As a result, the City could be required to adjust the scope of the capital projects, however, it is not expected to impact its ability to pay debt service on the Bonds.

The Initiative and Referendum Process

Article IV, Section 1 of the Oregon Constitution reserves to the people of the State the initiative power to amend the State Constitution or to enact legislation by placing measures on the statewide general election ballot for consideration by the voters. Oregon law therefore permits any registered Oregon voter to file a proposed initiative with the Oregon Secretary of State's office without payment of fees or other burdensome requirements. Consequently, a large number of initiative measures are submitted to the Oregon Secretary of State's office, and a much smaller number of petitions obtain sufficient signatures to be placed on the ballot.

Because many proposed statewide initiative measures are submitted to the Oregon Secretary of State's office that do not qualify for the ballot, the City does not formally or systematically monitor the impact of those measures or estimate their financial effect prior to the time the measures qualify for the ballot. The City also does not formally or systematically monitor efforts to qualify measures for the ballot that would initiate new provisions for, or amend, the City's charter and ordinances. Consequently, the City does not ordinarily disclose information about proposed initiative measures that have not qualified for the ballot.

Pursuant to ORS 250.125, a five-member Committee composed of the Secretary of State, the State Treasurer, the Director of the Department of Revenue, the Director of the Department of Administrative Services, and a local government representative must prepare an estimate of the direct financial impact of each measure ("Financial Estimate Statements") to be printed in the voters' pamphlet and on the ballot.

Initiative Process

To place a proposed statewide initiative on a general election ballot, the proponents must submit to the Secretary of State initiative petitions signed by the number of qualified voters equal to a specified percentage of the total number of votes cast for all candidates for governor at the gubernatorial election at which a governor was elected for a term of four years next preceding the filing of the petition with the Secretary of State. Any elector may sign an initiative petition for any measure on which the elector is entitled to vote. Statewide initiatives may only be filed for general elections in even-numbered years.

A statewide initiative petition must be submitted to the Secretary of State not less than four months prior to the general election at which the proposed measure is to be voted upon. As a practical matter, proponents of an initiative have approximately two years in which to gather the necessary number of signatures. State law permits persons circulating initiative petitions to pay money to persons obtaining signatures for the petition. Once an initiative measure has gathered a sufficient number of signatures and qualified for placement on the ballot, the

State is required to prepare a formal estimate of the measure's financial impact. Typically, this estimate is limited to an evaluation of the direct dollar impact.

Historical Initiative Petitions. According to the Elections Division of the Secretary of State, the total number of initiative petitions that qualified for the ballot and the numbers that passed in recent general elections are as follows:

Recent Initiative Petitions		
Year of General Election	Number of Initiatives that Qualified	Number of Initiatives that were Approved
2014	4	2
2016	4	3
2018	4	0
2020	2	2
2022	2	2
2024	2	1

Source: *Elections Division, Oregon Secretary of State, Initiative, Referendum and Referral Log.*

Referendum

"Referendum" generally means measures that have been passed by a legislative body, such as the Legislative Assembly or the governing body of a district, county or other political subdivision and referred to the electors by the legislative body, or by petition prior to the measure's effective date.

In Oregon, both houses of the Legislative Assembly must vote to refer a statute or constitutional amendment for a popular vote. Such referrals cannot be vetoed by the governor. Any change to the Oregon Constitution passed by the Legislative Assembly requires referral to voters. In the case of a referendum by petition, proponents of the referendum must obtain a specified number of signatures from qualified voters. The required number of signatures is equal to four percent of the votes cast for all candidates for governor at the preceding gubernatorial election.

City Charter

In addition to statutory and constitutional changes by the Legislative Assembly and the initiative and referendum process, the independent basis of legislative authority has been granted to cities in Oregon by municipal charters. A copy of the City Charter is available upon request from the City.

Legal Matters and Litigation

Legal Matters

Legal matters incident to the authorization, issuance and sale of Bonds are subject to the approving legal opinion of Bond Counsel, substantially in the form attached hereto as Appendix A. Bond Counsel has reviewed this document only to confirm that the portions of it describing the Bonds and the authority to issue them conform to the Bonds and the applicable laws under which they are issued.

Litigation

There is no litigation pending questioning the validity of the Bonds nor the power and authority of the City to issue the Bonds. There is no litigation pending which would materially affect the finances of the City or affect the City's ability to meet debt service requirements on the Bonds.

Under the Oregon law local public bodies, such as the City, are subject to the following limits on liability. The State of Oregon is subject to different limits.

Personal Injury and Death Claim. The liability of a local public body and its officers, employees and agents acting within the scope of their employment or duties, to any single claimant for covered personal injury or death claims (and not property claims) arising out of a single accident or occurrence may not exceed \$879,200, for causes of action arising on or after July 1, 2025, and before July 1, 2026. The liability limits to all claimants for covered personal injury or death claims (and not property claims) arising from a single accident or occurrence may not exceed \$1,758,300 for causes of action arising on or after July 1, 2025, and before July 1, 2026.

Property Damage or Destruction Claim. The liability limits of a public body and its officers, employees and agents acting within the scope of their employment or duties, for covered claims for damage and destruction of property that arise from causes of action arising on or after July 1, 2025: (a) \$144,200, adjusted as described below, to any single claimant, and (b) \$721,000, adjusted as described below, to all claimants.

For causes of action arising on or after July 1, 2026, the liability limits for both a single claimant and all claimants will be adjusted based on a determination by a State Court Administrator of the percentage increase or decrease in the cost of living for the previous calendar year as provided in the statutory formula. The adjustment may not exceed three percent for any year.

Tax Matters

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the City, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code, however, interest on the Bonds is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City in connection with the Bonds, and Bond Counsel has assumed compliance by the City with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the City, under existing statutes, interest on the Bonds is exempt from State of Oregon personal income tax.

Bond Counsel expresses no opinion as to any other federal, state, or local tax consequences arising with respect to the Bonds, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or in interpretations thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action thereafter taken or not taken in reliance upon an opinion of other counsel, regarding federal, state or local tax matters, including, without limitation exclusion from gross income for federal income tax purposes of interest on the Bonds.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such

noncompliance occurs or is discovered. The City has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Bonds.

Prospective owners of the Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which at least 10 percent of such maturity was sold to the public, i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the Bonds. In general, the issue price for each maturity of Bonds is expected to be the initial public offering price set forth on the inside cover page of the Official Statement. Bond Counsel further is of the opinion that, for any Bonds having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual

period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law or otherwise prevent beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

Continuing Disclosure

The Securities and Exchange Commission Rule 15c2-12 (the "Rule") requires at least annual disclosure of current financial information and timely disclosure of certain events with respect to the Bonds. Pursuant to the Rule, the City has agreed to provide audited financial information and certain financial information or operating data at least annually, and timely notice of certain events (collectively, "Continuing Disclosure") to the MSRB through its EMMA system (so long as such method of disclosure continues to be approved by the Securities and Exchange Commission for such purposes).

Prior Undertakings. During the last five fiscal years, the City was obligated to provide Continuing Disclosure filings for its Full Faith and Credit Obligations, Series 2010B; Full Faith and Credit Project and Refunding Bonds, Series 2012; Full Faith and Credit Bonds, Series 2012B (Federally Taxable); Water System Revenue Refunding Bonds, Series 2012; Full Faith and Credit Bonds, Series 2016; Full Faith and Credit Project and Refunding Obligations, Series 2017; Full Faith and Credit Bonds, Series 2019; Water System Revenue Bonds, Series 2019; and Full Faith and Credit Bonds, Series 2023 (Local Improvement Projects). The City's undertakings require its annual financial information filing within nine months of the end of the Fiscal Year (March 30).

A copy of the form of the City's Continuing Disclosure Certificate for the Bonds is attached hereto as Appendix D.

Municipal Advisor

In connection with the authorization and issuance of the Bonds, the City has retained Piper Sandler & Co., Portland, Oregon, as its Municipal Advisor (the "Municipal Advisor").

The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for, the accuracy, completeness, or fairness of the information contained in this Official Statement.

Rating

As noted on the cover page of this Official Statement, Moody's Investors Service has assigned its underlying rating of "Aa1" to the Bonds. There is no assurance that the rating will be retained for any given period of time or that the rating will not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the rating will be likely to have an adverse effect on the market price of the Bonds.

Purchaser of the Bonds

The Bonds are being purchased by BofA Securities, Inc. and they will receive compensation of \$148,985.74. The purchaser of the Bonds may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the initial offering prices corresponding to the yields set forth on page i of this Official Statement, and such initial offering prices may be changed from time to time by such purchaser. After the initial public offering, the public offering prices may be varied from time to time. In connection with the offering of the Bonds, the purchaser of the Bonds may overallot or effect transactions which stabilize or maintain the market price of the Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued or recommenced at any time.

Certificate with Respect to Official Statement

At the time of the original delivery of and payment for the Bonds, the City will deliver a certificate of its authorized representative to the effect that the representative has examined this Official Statement that to the best of the representative's knowledge and belief, the Official Statement, both as of its date and as of the date of delivery of the Bonds, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

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Appendix A

Form of Bond Counsel Opinion

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January 29, 2026

City of Hillsboro
150 E Main Street
Hillsboro, Oregon 97123

Subject: \$91,805,000 City of Hillsboro, Oregon, Full Faith and Credit Bonds, Series 2026

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Hillsboro, Oregon (the "City") of its Full Faith and Credit Bonds, Series 2026 (the "Bonds"), that are dated as of their date of issuance and are in the aggregate principal amount of \$91,805,000. The Bonds are authorized by ORS Sections 287A.150, 287A.315, and the other applicable provisions of ORS Chapter 287A, City Ordinance No. 6472 enacted June 4, 2024, as amended by Ordinance No. 6503 enacted on July 1, 2025 (collectively, the "Ordinance"), and a Bond Declaration for the Bonds (the "Declaration") dated as of the date of issuance of the Bonds.

We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering materials which have been or may be supplied to the purchasers of the Bonds, and we express no opinion relating thereto excepting only the matters set forth as our opinion in the official statement.

Regarding questions of fact material to our opinion, we have relied on representations of the City in the Ordinance, the Declaration, the certified proceedings and on other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Bonds have been legally authorized, sold and issued under and pursuant to the Constitution and Statutes of the State of Oregon, the Charter of the City, the Declaration, and the Ordinance. The Bonds constitute valid and legally binding obligations of the City that are enforceable in accordance with their terms.

2. The Bonds are payable from all lawfully available funds of the City. Pursuant to ORS Section 287A.315 the City has pledged its full faith and credit and taxing power within the limitations of Sections 11 and 11b of Article XI of the Oregon Constitution to pay the Bonds.

3. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code, however, interest on the Bonds is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. Bond counsel further is of the opinion that, for any Bonds having original issue discount (a "Discount Bond"), original issue discount that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Bonds. In rendering

our opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City and others in connection with the Bonds, and we have assumed compliance by the City and others with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that, for federal income tax purposes, interest on the Bonds not be included in gross income pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Bonds, restrictions on the investment of proceeds of the Bonds prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause interest on the Bonds to become subject to federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of delivery of the Bonds, the City will execute a Tax Certificate (the "Tax Certificate") containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the City covenants that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things required by the Code to assure that interest paid on the Bonds will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in paragraph 3 hereof, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of interest paid on the Bonds, and (ii) compliance by the City with the procedures and covenants set forth in the Tax Certificate as to such tax matters.

4. Interest on the Bonds is exempt from Oregon personal income tax.

We express no opinion as to any federal, state or local tax consequences arising with respect to the Bonds, or the ownership or disposition thereof, except as stated in paragraphs 3 and 4 above. We render our opinion under existing statutes and court decisions as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon advice or an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Bonds.

The portion of this opinion that is set forth in paragraph 1, above, is qualified only to the extent that enforceability of the Bonds may be limited by or rendered ineffective by (i) bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other laws affecting creditors' rights generally; (ii) the application of equitable principles and the exercise of judicial discretion in appropriate cases; (iii) common law and statutes affecting the enforceability of contractual obligations generally; and (iv) principles of public policy concerning, affecting or limiting the enforcement of rights or remedies against governmental entities such as the City.

This opinion is limited to matters of Oregon law and applicable federal law, and we assume no responsibility as to the applicability of laws of other jurisdictions.

This opinion is provided to you as a legal opinion only, and not as a guaranty or warranty of the matters discussed herein. No opinions may be inferred or implied beyond the matters expressly stated herein. No qualification, limitation or exception contained herein shall be construed in any way to limit the scope of the other qualifications, limitations and exceptions. For purposes of this opinion, the terms "law" and "laws" do not include unpublished judicial decisions, and we disclaim the effect of any such decision on this opinion.

We have served as bond counsel only to the City in connection with the Bonds and have not represented and are not representing any other party in connection with the Bonds. This opinion is given solely for the benefit of the City in connection with the Bonds and may not be relied on in any manner or for any purpose by any person or entity other than the City, and any person to whom we may send a formal reliance letter, indicating that the recipient is entitled to rely on this opinion.

Very truly yours,

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Appendix B

Financial Statements

The City's Auditor has not performed any further review of the City's financial statements since the date of the audit contained herein. The Auditor was not requested to review this Official Statement and has not completed any additional auditing review procedures subsequent to the issuance of its report on the 2025 Fiscal Year.

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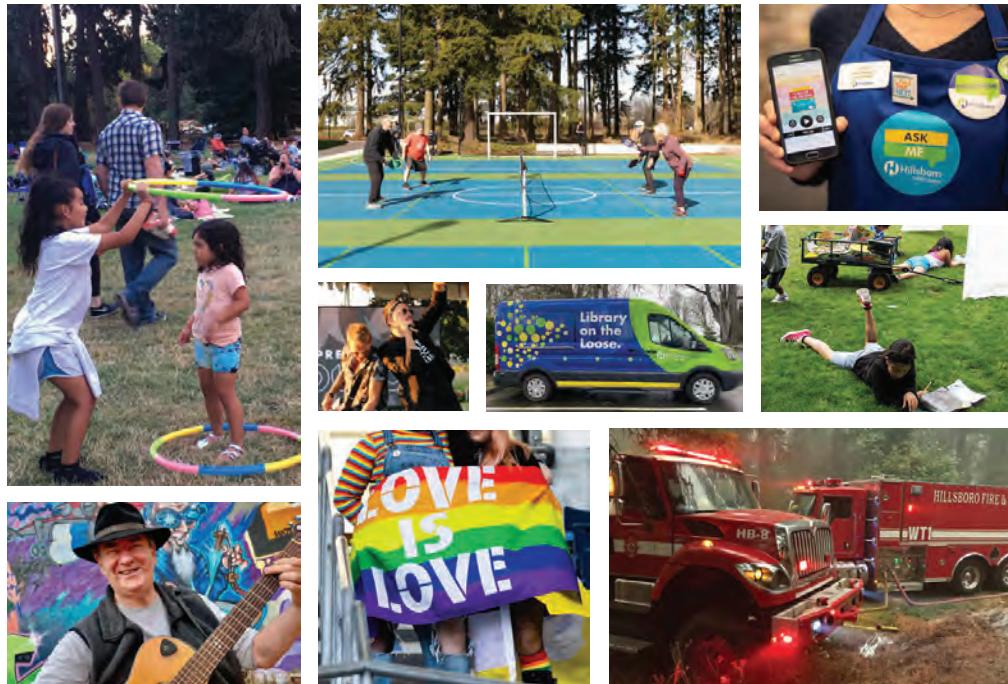


For Year Ended June 30, 2025

CITY OF HILLSBORO, OREGON

Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2025



Prepared by:
City Finance Department

Printed on recycled paper.

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CITY OF HILLSBORO, OREGON

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INTRODUCTORY SECTION



December 9, 2025

The Honorable Mayor Beach Pace,
Members of the City Council, and Citizens of
the City of Hillsboro, Oregon

The Annual Comprehensive Financial Report of the City of Hillsboro, Oregon, (the City) for the fiscal year ended June 30, 2025, is hereby submitted. The report formatting is different than years past as the City transitioned from an annual budget to a biennial budget and fiscal year 2025 is the second year of the biennial budget. The budgetary amounts are presented in total for the biennium, both years of actuals are presented in this report along with a total for the biennium.

The report presents the financial position of the City as of, and for the year ended June 30, 2025. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position, results of operations and cash flows of the various funds and component unit of the City. All disclosures necessary to enable the reader to gain an understanding of the City's activities have been included.

For financial reporting purposes the City is the primary government. Its governing Council is elected by the citizens in a general election. The City operates under the council-manager form of government. Policy making and legislative authority are vested in the governing Council, which consists of a mayor and six-member Council. This report includes all organizations and activities for which the elected officials exercise financial control. The financial statements of the City's one component unit, the Hillsboro Economic Development Council Urban Renewal Agency, are included in this report. The City may interact or contract with various other governmental entities but is not financially accountable for those entities and therefore such entities' financial statements are not included in this report.

City management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. There are inherent limitations in these controls, as the cost of control should not exceed the benefits to be derived. The objective is to provide reasonable, rather than absolute assurance, that financial statements are free of any material misstatement. In addition, the City maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the biennial appropriated budget adopted by the City Council. Activities of all funds are included in the biennial adopted budget.

This Annual Comprehensive Financial Report is presented in four sections: Introductory, Financial, Statistical, and Compliance. The Introductory section, which is unaudited, includes this letter of transmittal, an organizational chart, GFOA Certificate of Achievement for Excellence in Financial Reporting and a list of the City's principal elected officials. The letter of transmittal is designed to complement the Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. The City's MD&A can be found in the Financial Section along with independent auditor's opinion, basic financial statements, including entity-wide, fund financial statements, notes to the basic financial statements, required supplemental information, and supplemental combining and individual statements and schedules for the City's funds. The Statistical Section, which is unaudited, includes selected financial and demographic information, generally presented on a multi-year basis. The Compliance Section contains financially related comments and disclosures required by the *Minimum Standards for Audits of Oregon Municipal Corporations* and 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*, and the Report on Audit Requirements for Federal Awards under Uniform Guidance and related reports and schedules.

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150 E Main Street, Hillsboro, Oregon 97123-4028 Phone 503.681.6100 Fax 503.681.6232 Web www.hillsboro-oregon.gov

The Honorable Mayor Beach Pace,
Members of the City Council, and Citizens of
the City of Hillsboro, Oregon
December 9, 2025

PROFILE OF THE CITY

The City is located approximately 18 miles west of Portland, Oregon, in western Washington County. The City, incorporated in 1876, has grown rapidly in recent decades as the center of the high-tech industry. Hillsboro is the fifth largest city in the State of Oregon. The certified population by the Population Research Center at Portland State University for the City as of June 30, 2025, is 111,006.

The City is required by state law to budget substantially all funds, utilizing approval by a budget committee made up by the mayor, six City Councilors and seven citizen volunteers, and adoption by City Council. City Council adopts an ordinance authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The ordinance establishes the level of budgetary control at the department level for the General Fund and Support Services Fund. All remaining funds of the City establish the levels of budgetary control at the category level (personnel services, materials and services, capital outlay, special payments, operating contingencies, debt service, and all other requirements levels).

Hillsboro is a full-service city providing police, fire and rescue, parks and recreation, library, community planning and development, building inspection, water, sanitary sewer, surface water management, and transportation services. The City is actively engaged in the development of South Hillsboro, 1,400 plus acres of developable land that is adding 8,000 new, diverse housing units; two mixed-use town and village centers; 286 acres of new parks and open spaces; and nearly 20,000 new community members to City when built out. The City is also working on the development of the North Hillsboro Industrial Renewal Area which consists of approximately 1,281 acres of future industrial land that will attract high tech, clean tech, and advanced manufacturing companies continuing Hillsboro's reputation as home of the "Silicon Forest" of Oregon.

ECONOMIC OUTLOOK

In 2025 and 2026, Hillsboro is expected to experience a neutral economic outlook driven by several key factors:

1. **Technology Sector Growth** – Hillsboro is home to a significant portion of the tech industry in Oregon, primarily semiconductor and advanced manufacturing. Hillsboro has a concentration of semiconductor industry leaders, including three integrated device manufacturers and 75 semiconductor related technology companies. We are hopeful that the restructuring of Intel's operations will restore profitability and regain competitiveness in the market. In addition, we are also seeing increased collaboration and awareness among academia, industry, local and state government including workforce providers and community colleges.
2. **Diversification of Industries** – In addition to tech, Hillsboro's economy is diversifying with growth in healthcare, advanced manufacturing, and biopharma which can mitigate risks associated with reliance on a single sector. For example, a few of the area's supply chain and manufacturers support both the semiconductor and biotech/MedTech industries with similar product technology such as Thermo Fisher, and with contract manufacturing services from companies such as Cascade Technology, and Axiom.

The data center industry has found Hillsboro an ideal location for business. A combination of factors such as ideal climate, low cost, renewable energy, proximity to major markets, multiple subsea cable connections with low latency connections to the Asia-Pacific region creates a compelling case for development in Hillsboro. Data centers in Hillsboro provide infrastructure support to the local technology companies. According to a recent JLL report, 80% of data center user demand in the Hillsboro area comes from the technology industry in the Pacific Northwest. This capital-intensive industry also supports our local economy through property taxes and employment of the trades. We've seen an increase in tax revenue as data centers come on to the tax roll.

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The Honorable Mayor Beach Pace,
Members of the City Council, and Citizens of
the City of Hillsboro, Oregon
December 9, 2025

3. **Population Growth** – The City continues a moderate population growth, leading to sustained demand for housing, goods and services, which can boost local businesses. Hillsboro's population has consistently increased over the last ten years. A large portion of this population growth is being housed in major residential development areas such as South Hillsboro, the recently planned Witch Hazel Village South, and the Amberglen areas. We expect that the recent announcement of layoffs by Intel, the area's largest employer, will impact Hillsboro's unemployment rate for the rest of 2025 and possibly 2026. However, currently our unemployment rate continues to be among the lowest in the region.
4. **Industrial Infrastructure Development** – Investments in infrastructure, such as transportation and utilities, support economic activities and improve business recruitment and expansion efforts. The City continues to actively pursue the expansion of land in the urban growth boundary to accommodate industrial growth of our key industries. Hillsboro supports businesses and actively plans for future industrial development in a smart and strategic manner.

The Hillsboro Economic Development Council (HEDC), the tax increment finance authority of the City, has acquired and aggregated nearly 340 acres of industrial designated land adjacent industrially scaled infrastructure and ready for development. The HEDC will seek a buyer that aligns with the community's goals and objectives for the area.

5. **Downtown Vitality** – The City's Downtown area continues to see growth with 2 new restaurants, a new wine bar, taproom and other retail options. The City enhanced livability through its 2nd Edition of a Downtown Dining Guide (available in English and Spanish).

The FLIP Museum, a hands-on interactive children's museum, opened in 2025 in the Terrace Plaza Building on 3rd Avenue. Exhibits at The FLIP Museum include a variety of experience-based play in art, STEM, and cultural experiences. The FLIP Museum attracts youth and families, creative professionals, visitors, and a diverse range of talents to Hillsboro, enhancing the city's cultural and economic vitality.

The work in the Avenida Diez (10th Avenue) neighborhood continues to advance. City staff remain actively engaged with the community through the Avenida Diez Community Advisory Committee and a series of focus groups that include voices from residents, businesses, and property owners. To support equitable and inclusive development over the long term, City and consultant teams are refining and expanding on ideas drawn from existing City plans. Efforts are focused on identifying strategies to reduce displacement as significant projects such as the redevelopment of the Police Block move forward.

Hillsboro City Council approved the transfer of ownership of Block 67 for \$1 to Koz Development and construction is anticipated to begin by winter 2025-26 and take two years to complete. Koz on Baseline will be a full block redevelopment, consisting of two mixed-use buildings delivering 333 units of needed housing, a space for a grocer/food cooperative, and other commercial spaces to contribute to the community's vibrancy. The goal of more Downtown living units to support all the local businesses in the area is happening.

Diversity of employers and types of business is the hallmark of a prosperous economy and community. Please refer to the chart of the Ten Largest Employers (which includes government tax exempt agencies) in the Statistical Section of the Financial Statements. Companies continue to invest in new and/or expanded locations in Hillsboro, and the City continues to be an economic leader in the State of Oregon.

While each year varies slightly, the City's General Fund operating budget tends to rely on property taxes for approximately 63% of its total operating budget. The State's property tax system is a rate-based tax system. The City currently has a permanent tax rate of \$3.6665 per \$1,000 of assessed value. Additionally, the City has a local option tax of \$1.72 per \$1,000 specifically for Police, Fire & Rescue, and Parks & Recreation maintenance services. Local option tax (LOT)

The Honorable Mayor Beach Pace,
Members of the City Council, and Citizens of
the City of Hillsboro, Oregon
December 9, 2025

operating levies are five-year levies. A \$1.10 five-year levy was first approved in 1998, renewed in 2002, and in November 2006 voters elected to increase the amount to \$1.72. The \$1.72 LOT was renewed in May 2012, May 2017, and May 2022.

The City has consistently outpaced Washington County's overall growth rate. The chart below compares the growth in real market values for the last ten years to those of Washington County as a whole. For fiscal year 2024-25, the City's assessed value was 31% of market value while the County's was 44%. Both Washington County's and the City of Hillsboro's real market values have increased significantly since 2015. However, the City did see a decrease in RMV in FY 2018-19 resulting from reductions in real and personnel property due to depreciated and/or vacated machinery and equipment. These reductions were also part of the County's RMV, but there were enough offsetting increases in RMV to sustain a positive year-over-year growth for the County. Assessed values compared to market values can vary significantly among governmental agencies depending on the makeup of each agency's assessed value between residential, commercial, and industrial as well as the state of each agency's local economy.

The City's assessed value increased 6.16% (or 5.22% when excluding urban renewals areas) from fiscal year 2023-24, which is above the 3% appreciation rate on existing properties allowed under Oregon law. The increase was slightly higher than projected as a direct result of the statutory increase allowed of 3% plus all new construction. By law, a home can increase in assessed value annually by 3% per year unless the real market value moves below the assessed value. If that occurs, taxes are assessed at the lower of the two values.

The City is more reliant than neighboring jurisdictions on the industrial sector. While approximately 22% of the assessed value in Washington County is in the City, the City has approximately 54% of the total industrial value in the County including machinery and equipment. Of the City's assessed value approximately 16% is industrial, including machinery and equipment.

A similar relationship exists when comparing real market values between the City and the County. However, real market values in the City represent 31% of Washington County's Real Market values. The following table compares real market value growth of the City as well as Washington County. A side-by-side comparison of assessed values would be similar in terms of growth.

Property Values - Real Market

Year	City of Hillsboro		Washington County	
	Real Market Value	% Change	Real Market Value	% Change
2016	\$ 25,550,249,374		\$ 90,947,468,656	
2017	28,947,809,509	13.30%	101,500,233,033	11.60%
2018	32,028,080,563	10.64%	112,236,653,907	10.58%
2019	28,965,891,718	-9.56%	116,500,832,935	3.80%
2020	30,330,612,779	4.71%	121,502,775,736	4.29%
2021	37,284,762,786	22.93%	139,705,066,088	14.98%
2022	41,067,779,992	10.15%	150,660,153,461	7.84%
2023	49,270,739,190	19.97%	177,722,241,738	17.96%
2024	55,465,898,243	12.57%	189,787,476,246	6.79%
2025	60,982,119,720	9.95%	197,138,294,899	3.87%
Total Value Growth		<u>138.68%</u>	<u>116.76%</u>	

Source: Washington County Summary of Assessment and Tax Roll

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Historically, the City's General Fund (Fund 100 proper, as a sub fund of the reported General Fund) has been very healthy because of strong financial management which includes adopted policies to maintain a target fund balance of 15%. This policy was adopted by City Council in September 2012. In addition to the targeted fund balance of 15%, the City has a goal of a 20% fund balance, calculated by dividing the ending actual fund balance by the total actual expenditures including transfers to other funds. The ending fund balance on June 30, 2025, was 23.5% of expenditures which is an increase of 2.6% from last year's 20.9%. The City entered the coronavirus pandemic with the largest fund balance its General Fund has ever had which allowed the City to weather the decreases in revenues longer than other agencies. However, the City is now seeing the impacts of those revenue losses on the General Fund balance. In FY 2023-24, the City did a one-time transfer of \$10.2 million of discretionary funds into the General Fund to shore up the fund balance. Without this transfer the fund balance would have been 13.62% of expenditures. The City did another one-time transfer of \$10.3 million in FY 2024-25. Without the transfer, the ending fund balance would have been 16.7% for FY 2024-25.

Local Option Tax Levies

In November 2006, voters approved two local option levies having a significant impact on the City of Hillsboro: a \$1.72 local option tax (LOT) levy to support enhanced police, fire and rescue, and parks maintenance services and a \$0.17 county-wide levy to maintain library services provided by Washington County Consolidated Library Services (WCCLS). The \$1.72 levy, approved in November 2006, replaced the last year of the prior levy. In May 2022, voters approved the renewal of the \$1.72 LOT for another five years. This levy will go through FY 2027-28.

Voters passed the WCCLS levy in November 2006. The \$0.17 per \$1,000 of assessed value five-year levy supports WCCLS member libraries, including Hillsboro, and central services that link the 12 libraries together. The levy was renewed in the November 2010 election at the same rate. On November 3, 2015, the WCCLS local option tax levy was passed by voters and the levy increased the rate from 17 cents to 22 cents per \$1,000 of assessed value. The levy of 22 cents was renewed by voters in May 2020 and will go through FY 2025-26.

Hillsboro 2020/2035 Vision and City of Hillsboro Strategic Plan

The City has been a proud partner supporting the Hillsboro 2035 Community Plan and the former 2020 Vision and Action Plan, our community's original 20-year vision created by people that live, work, play and learn in Hillsboro. The City implemented numerous projects in the plan and provided support to the citizen-led Vision Implementation Committee (VIC).

Hillsboro 2020 served as a catalyst for many remarkable projects including the Hondo Dog Park, the Civic Center and Tom Hughes Plaza, community gardens, enhanced after school programs, the Walter's Cultural Arts Center and many more. With the Hillsboro 2020 Plan almost complete, the VIC and City Council called for a renewed plan to extend to 2035.

After a three-year public engagement process with total participation from more than 5,000 community members, the Hillsboro 2035 Community plan was adopted in August 2015. Like Hillsboro 2020, the 2035 Plan is being implemented by over 20 local partner organizations and will help shape the future of Hillsboro for years to come.

The City finalized its new strategic plan in June 2024. The strategic plan will serve as the City's roadmap for the next 10 years with clear goals, strategies, and measurable objectives. It established a new organizational mission and set of core values for Hillsboro City Government to help guide overall City operations. The Vision, Mission, Values and Goal areas for the City of Hillsboro are shown in the graphic to the right.



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Franchise Fees/Right of Way

The City of Hillsboro receives approximately \$24.8 million in telecommunications, cable, utilities, and solid waste franchise fees annually, which represents a significant portion of the City's General Fund revenues. The City is proactive in ensuring collection of this revenue stream. In the past, the City has partnered with other Oregon municipalities to audit telecommunications franchise fees to ensure proper payment and the accuracy of data used by the utilities in calculating franchise fees owed.

In October 2016, a new right of way ordinance went into effect establishing rules regarding the use of rights of way. Additionally, a resolution was established setting fees for the use of the rights of way. Utilities under existing franchise agreements will continue to operate under those agreements until the agreement expiration date. At that time, utilities operating in the right of way will be subject to the new ordinance. These changes allow the City to manage the rights of way consistently from one utility to another.

The City continually monitors Federal and state legislation which may impact the future of franchise fees and the City's ability to manage its rights-of-way. Over the years, unsuccessful legislation has been proposed at the state level to limit cities' franchise authority. Such efforts could have a negative effect upon City franchise revenues as well as rights-of-way authority.

Public Utilities Tax

In January of 2012, the City passed an ordinance amending a public utilities tax which applies to companies providing utility services without a franchise agreement. The amendment to the public utilities tax changed the rate of the tax to be equal with the current franchise fee rate and clarified the definition of a utility. The public utility tax adds stability to the City's budget by ensuring revenues are received from utility services provided in the City regardless of whether the service provider is a franchised utility or a wholesale provider. The City received approximately \$2.9 million in FY 2024-25 in public utility tax.

Transient Lodging Tax

In July 2017, the City passed an ordinance creating a local transient lodging tax of 3%, which is in addition to the County and State's transient lodging tax of 10.5%. All tax collections are done by the County and remitted to the City monthly. 70% of the local tax must be primarily used for tourism purposes as outlined by state law. The tax generated approximately \$1.9 million in FY 2023-24 which is a decrease of about \$87,000 from FY 2023-24. The slight decrease reflects the volatility in travel and tourism in the region as the economy continues to recover from the COVID-19 pandemic.

Marijuana Tax

In November 2016, City of Hillsboro voters passed Measure 34-252 creating a local sales tax of 3% on recreational sales of marijuana. Measure 91 passed by Oregon voters in 2014 legalized the recreational use of marijuana including in-state manufacturing, processing, sale, licensing, regulation, and taxation by the state. Local taxes are collected by the State on behalf of the City. The City also receives a share of the state-wide taxes, if the City has not passed laws restricting the sale of marijuana within the city limits. The State and local tax generated approximately \$572,000 in FY 2024-25.

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Joint Ventures

The City of Hillsboro is a partner in four joint ventures:

- The Joint Water Commission (JWC) is managed by the City, and is made up of the cities of Hillsboro, Forest Grove, Beaverton, and the Tualatin Valley Water District. JWC provides for the joint ownership of the water system and operates the intake, treatment, storage, and transmission facilities. The treatment plant capacity is 85 million gallons per day.
- The Barney Reservoir Joint Ownership Commission (BRJOC) is managed by the City and includes the cities of Hillsboro, Forest Grove and Beaverton, and the Tualatin Valley Water District and Clean Water Services. The BRJOC provides for the ownership and operation of the Barney reservoir, which has the capacity to impound over 6.5 billion gallons of raw water.
- The Willamette Intake Facilities Commission (WIF) includes Tualatin Valley Water District (managing partner), and the cities of Hillsboro, Wilsonville, Tigard, Sherwood, and Beaverton. The WIF provides for the ownership and operation of the Willamette intake facilities which is used to withdraw and transmit water to the Commission members.
- The Willamette Water Supply System Commission (WWSS) includes Tualatin Valley Water District (managing partner), and the cities of Hillsboro and Beaverton. The WWSS provides for the ownership and operation of the Willamette Water Supply System which includes a water treatment plant, raw and finished water pipelines, and reservoirs which are used to withdraw, treat, and transmit water to the Commission members.

Utilities Commission

The City owns and operates a municipal water system that provides retail water service to a population of approximately 93,000 and over 27,750 connections. The City's retail service territory includes two areas - one serving most of the City's own municipal territory, and another serving more than 600 direct service connections south of Forest Grove in rural Washington County. The City also provides wholesale water service to the cities of Gaston and Cornelius, and to the L.A. Water Cooperative. There are also areas of Hillsboro that are provided water service by Tualatin Valley Water District, as per the 2003 Urban Services Agreement.

Hillsboro Economic Development Council (HEDC)

In May 2010, the City created the Downtown Hillsboro Urban Renewal Area (URA), encompassing the downtown commercial district as well as some of the surrounding neighborhoods. The URA has a maximum indebtedness of \$95 million. The City began to collect tax increment from the URA in FY 2011-12. The adopted Urban Renewal Plan sets forth goals and objectives, and identifies eligible expenditures, including streets, parks, land acquisition, housing assistance, small business assistance, and public-private partnerships. There is no termination date for the URA. The Downtown URA received about \$2,514,000 in tax increment in FY 2024-25. The URA had no debt outstanding as of June 30, 2025.

In December 2015, the City Council created a second urban renewal area known as the North Hillsboro Industrial Urban Renewal Area (NoHi URA). NoHi URA encompasses most of the area north of NW Evergreen Parkway to US Hwy 26, west of NE 41st Ave to NW Sewell Road. The NoHi URA had a maximum indebtedness of \$172.2 million. However, in October 2023, the City and Washington County approved expanding the Area and increased the maximum indebtedness to \$268.6 million. The number of acres in the Area was increased from approximately 1,100 acres to 1,281 acres and is zoned for industrial development. Fiscal year 2024-25 was the ninth year that tax increment was collected under the URA and about \$17,442,000 was received. The NoHi URA had \$119.4 million in outstanding debt as of June 30, 2025.

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Strategic Investment Program

The Strategic Investment Program (SIP) was authorized by the 1993 Legislature to increase Oregon's ability to attract capital-intensive industry, particularly high-technology firms. Projects approved for the SIP must pay full property tax on the first \$100 million of their investment in addition to an annual Community Service Fee equal to 25% of the abated taxes, up to \$2 million and any other negotiated fees. The City has three active SIP agreements. Two outstanding agreements with Intel and one with Genentech.

The City, and Washington County negotiated a Strategic Investment Program agreement in the summer of 2005. This SIP was initiated in tax year 2010. The 2005 SIP is estimated to collect close to \$57 million through 2024-25. The City receives 38% of these fees.

Washington County, Intel Corporation and the City entered into the City's fourth Strategic Investment Program agreement in the summer of 2014. The agreement entitles Intel to spend \$100 billion over a thirty-year period, requiring taxes on the first \$100 million for each "investment" and other fees as defined under the agreement. The structure of the agreement is like the 2005 agreement. This is the largest SIP agreement in the State's history. The agreement does not require Intel to continue to invest in Hillsboro; however, it puts in place a mutually beneficial agreement for all parties if investments are made. The 2014 SIP kicked off in FY 2016-17 and the first year of tax distribution was in FY 2017-18.

Intel was operating under the 2005 SIP and 2014 SIP in FY 2024-25. The 1999 SIP agreement ended in FY 2014-15. The City's assessed value increased significantly in FY 2015-16 due to the abated property tax values for the 1999 Intel SIP coming back on to the tax rolls. As of June 30, 2025, the City has received approximately \$255.5 million in fees associated with the 1999, 2005 and 2014 SIP agreements. The City has used the SIP revenues to secure debt to pay for various facilities needs as well as participate in various capital projects.

In the summer of 2006, the City and Washington County negotiated a Strategic Investment Program (SIP) agreement with Genentech, one of the world's leading companies in biopharmaceuticals. This agreement was negotiated under the rules of the "rural" SIP. The rules are modified from the original program to make full property tax payable on the first \$25 million of investment, with a commensurate minimum community service fee. Due to the successes of the City's business partnerships, this SIP agreement was initiated and began producing revenue for the City in tax year 2010.

The 2005 Intel SIP and the 2006 Genentech SIP agreements will be coming out of property tax abatement in FY 2025-26. The City is anticipating a significant increase in its assessed value when these abated values are added to the tax rolls. With the increase in assessed value, there is expected to be a large increase in property tax revenues. The anticipated increase in property tax revenues should offset the reduction in SIP payments received from these two agreements and bring in additional revenues.

Gain Share

In 2007, the Oregon legislature enacted into law a revenue sharing program that is known as Gain Share which works in conjunction with an active SIP agreement. SIP agreements abate property tax on large investments that would otherwise be paying an extraordinary amount of property taxes on the equipment inside their manufacturing facilities. Without the large-scale tax incentive programs, Oregon would not be able to attract these large industrial type investments therefore losing jobs to other more competitive states. However, property tax, which is largely the revenue source that funds local governmental services, is abated while increased personal income tax, that funds the State's budget, is generated due to the increase in jobs at higher wages created by the new investment. Gain Share was created to make it a win for the local government and the State. As local governments bring in large investments under SIP agreements, Gain Share allows local

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jurisdictions to share in the income tax generated from new and retained jobs at a rate of 50/50. As of June 30, 2025, the City had received thirteen payments under the program totaling approximately \$82.5 million.

In July 2015, State legislation enacted a new law affecting the Gain Share program. With these changes, revenues coming into Washington County are capped at \$16 million per fiscal year. The cap was implemented out of concern Gain Share numbers would grow to larger amounts than originally anticipated taking money out of the State's budget. In June 2023, the State Legislature passed House Bill (HB) 2009, which extends the sunset of the program to FY 2031. The City receives approximately 38% of the total program in Washington County, which equates to about \$6.4 million per year. The City has programmed the funds towards mostly one-time capital projects as they are limited in duration.

Enterprise Zones

Supporting business growth and development are top priorities for the City of Hillsboro. Having the tools to support that growth is a critical part of the City's economic development activities. One tool that has proven to be valuable for business and workforce development is the Hillsboro Enterprise Zone program, which includes the North Industrial Area, the South Industrial Area and the Central Business District. Established by the State in the 1980s, adopted by the City of Hillsboro in 2006, and reauthorized by the State in 2017, the E-Zone allows eligible businesses to receive 100 percent property tax abatement on new capital improvements for up to five years. State and local program requirements must be met in order to receive the exemption.

Hillsboro's Enterprise Zone program continues to produce impressive results, with 48 active projects and a projected investment total of \$11 billion. These companies currently employ over 3,400 individuals paying an average compensation of \$130,000 per job, well above the State average wage of \$68,780 and the Portland Metro area average wage of approximately \$76,920. At the conclusion of the three to five-year tax abatement, the current value of the exempt property is added to the tax roll.

Tax Abatements

The City has included the required information in the notes to the financial statements, but the note disclosure is limited on the ability to present the benefits of the program. The Strategic Investment Program and the Enterprise Zone Program discussed above and in the note section have allowed large companies such as Intel to invest in Hillsboro, Washington County and the State of Oregon and provide high paying jobs in the region. Washington County and the City of Hillsboro have chosen to forgo potential property taxes to bring continued economic development and employment to the region and the State. These companies have stated that without the tax abatement programs, they would not continue to invest, expand or locate in the region. Thus, the "abated" taxes are only "real" if the companies would have invested at the same level without the tax abatement programs.

Arguments can be made on both sides of this issue, especially with smaller investment; however, a company the size of Intel is shopping worldwide for expansion opportunities. Offering certain incentives are a part of attracting opportunities in a highly competitive global market. The City recognizes the impact tax abatement programs can have on the City and other taxing jurisdictions, and that the value that comes over time from abatement programs should exceed the estimated amount of the abated taxes. Though difficult to measure, the success of these programs is reflected in the low unemployment rate in Washington County, State of Oregon and nationally. Washington County and Hillsboro are considered the economic engine of the State of Oregon, and it is mainly due to the industrial companies that have made this region their home. The ability to be competitive globally depends on many factors. Attractive incentive programs are a large part of the market competition needed to continue to attract high tech companies.

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December 9, 2025

FINANCIAL POLICIES

The City Council adopted certain financial policies on September 18, 2012. The City has formal policies related to budget, accounting, debt, revenues, reserves, and grants as well as adopted policies governing investments and procurement.

DEBT SERVICE

There was no new debt issued in FY 2024-25.

INTERFUND LOANS

On November 17, 2015, the City Council approved a resolution that took effect on December 31, 2015, to loan \$9 million from the Building Fund to the Parks SDC Fund to acquire land in the South Hillsboro unincorporated area for a large community park and for other facilities. The South Hillsboro area was annexed into the City and, when fully developed, will add 20,000 or more residents to Hillsboro. In anticipation of this development, the City purchased necessary land to serve the future area. On July 19, 2016, the City Council approved a second resolution to loan an additional \$1 million to the Parks SDC Fund from the Building Fund and revised the repayment schedule to better align with anticipated parks system development revenues to be received from the South Hillsboro development area. This loan was paid off in FY 2024-25.

On May 2, 2017, the City Council approved a resolution that took effect immediately to loan \$2 million from the Transportation Development Tax Fund to the Transportation System Development Charge (TSDC) Fund for current infrastructure development and local improvement district expenses related to South Hillsboro. This interfund loan is not reflected in the financial statements as the Transportation Funds are shown in the aggregate and are governmental funds.

The City Council approved a resolution effective December 7, 2021, to loan up to \$19.1 million from the Building Fund to the Strategic Investment Program Fund for the purchase and cost of land acquisition in North Hillsboro, initiating a first draw of \$12.81 million. This will allow the City to acquire and develop land in the North Hillsboro Industrial Urban Renewal Area to attract large lot industrial companies to the area. This loan was paid off in FY 2024-25.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hillsboro for its annual comprehensive financial report for the fiscal year ended June 30, 2024. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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Members of the City Council, and Citizens of
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December 9, 2025

INDEPENDENT AUDIT

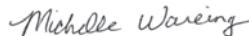
State Statutes require an annual audit by independent certified public accountants. The City selected the firm of Baker Tilly US, LLP (formerly known as Moss Adams, LLP), Certified Public Accountants to perform its annual audit. The auditors conducted the engagement using auditing standards generally accepted in the United States of America and *Government Auditing Standards*. Their audit opinions are in the Financial Section of this report.

ACKNOWLEDGEMENTS

The preparation of this report could not have been accomplished without the effective and dedicated services of the Finance Department and other City staff. We express our appreciation to all members of the City staff who assisted and contributed to the preparation of this report.

We express our gratitude to the Mayor and City Council who have led this City with careful planning, attentiveness to the community, and responsible, progressive management of this local government.

Respectfully submitted,



Michelle Wareing
Chief Financial Officer

CITY OF HILLSBORO, OREGON

OFFICIALS OF THE CITY

JUNE 30, 2025

BOARD OF COUNCILORS

Term Expires

Beach Pace, Mayor

January 2029

Councilors:

Rob Harris, Council President

Ward 3, Position B

January 2029

Cristian Salgado

Ward 1, Position A

December 2026

Saba Anvery

Ward 1, Position B

January 2029

Kipperlyn Sinclair

Ward 2, Position A

January 2027

Elizabeth Case

Ward 2, Position B

January 2029

Olivia Alcaire

Ward 3, Position A

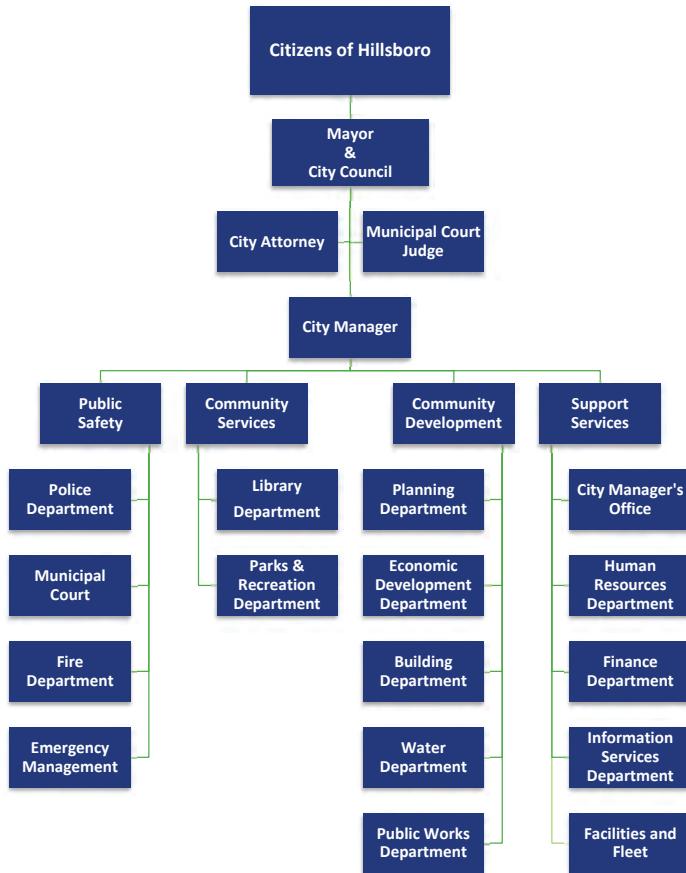
January 2027

PRINCIPAL OFFICIALS

Robert Hammond, City Manager
Rahim Harji, Deputy City Manager
Simone Brooks, Assistant City Manager

CITY ADDRESS

City of Hillsboro
City Hall
150 East Main Street
Hillsboro, Oregon 97123



Government Finance Officers Association

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Oregon**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Merrill

Executive Director/CEO



FINANCIAL SECTION

REPORT OF INDEPENDENT AUDITORS



Report of Independent Auditors

Honorable Mayor and Board of Councilors
City of Hillsboro
Hillsboro, Oregon

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hillsboro, Oregon (the City) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, other postemployment benefits information, and employee retirement pension benefits information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information for the General Fund, Transportation Fund and Building Fund as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 required 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 and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the required budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Expenditures of Federal Awards and related notes as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the combining and individual nonmajor fund financial statements, budgetary schedules, and other financial schedules 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2025, on our consideration of the City'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 City'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 City's internal control over financial reporting and compliance.

Other Reporting Required by Minimum Standards for Audits of Oregon Municipal Corporations

In accordance with the *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated December 9, 2025, on our consideration of the City's compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*. 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.



Keith Simovic, Partner
for Baker Tilly US, LLP
Portland, Oregon
December 9, 2025

CITY OF HILLSBORO, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

Management of the City of Hillsboro, Oregon, (the City) offers readers of the Annual Comprehensive Financial Report, this narrative overview and analysis of the financial activities of the City of Hillsboro for the fiscal year ended June 30, 2025. The analysis focuses on significant financial issues, major financial activities, and resulting changes in financial position, budget variances and specific issues related to funds and the economic factors affecting the City. Readers are encouraged to consider the information presented here in conjunction with additional information provided in the transmittal letter.

Financial Highlights

- Assets totaled approximately \$2.676 billion at June 30, 2025, and consisted of approximately \$575.1 million in cash and investments; approximately \$217.9 million in accounts, interest, lease receivable, and other assets; approximately \$493.7 million in investments in joint ventures and approximately \$1.389 billion in capital assets.
- Deferred outflows of resources totaled approximately \$78.6 million at June 30, 2025, and consisted of approximately \$75.5 million related to pensions, \$2.4 million related to other post-employment benefits, and \$666,000 for deferred charges on refunding.
- Net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources) was approximately \$2.008 billion at June 30, 2025.
- As of June 30, 2025, the City had approximately \$490.8 million in gross outstanding bonds and notes payable. The City has no general obligation bonds as of June 30, 2025.
- The City's total net position increased by approximately \$245.1 million from June 30, 2024, net position. Governmental Activities net position increased by approximately \$180.0 million from 2024 due to many factors including capital contributions of approximately \$110.0 million. Property taxes increased by approximately \$6.9 million due to assessed value increasing 6.16%. Net transfers of approximately \$4.5 million from Governmental Activities to Business-Type Activities are primarily for the funding of the construction of infrastructure for a broadband fiber utility. Expenses increased from the previous year primarily due to increases in personnel services, materials and services and negative changes in pension differences recognized through actuarial studies of the pension system which are described further in this report. Business-Type Activities net position increased by approximately \$65.2 million primarily due to charges for services, system development charges, and capital contributions outpacing current year operating expenses. These revenues will be spent in future years for system expansion. Further analysis is shared in the sections below.

Report Format

This Management's Discussion and Analysis (MD&A) section provides users of the basic financial statements with a narrative introduction, overview, and analysis of the statements. The report also includes the government-wide financial statements, fund financial statements, notes to the financial statements, required supplementary information, other supplementary information including combining schedules of non-major funds, and the statistical section.

The first several statements are highly condensed and present a government-wide view of the City's finances. Within this view, all City operations are categorized and reported as either governmental or business-type activities.

CITY OF HILLSBORO, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

JUNE 30, 2025

Report Format (Continued)

Governmental activities include basic services such as public safety, transportation, culture and recreation, community development and general government administration. The City's component unit, the Hillsboro Economic Development Council (HEDC), an urban renewal agency, is included within the governmental activities. Business-type activities are water, sewer, surface water management, broadband, property management, and intermodal transit facility operations.

Taken together the sections provide a comprehensive financial look at the City. The individual components of the report include the following:

- **Management's Discussion and Analysis.** This section of the report provides financial highlights, overview and economic factors affecting the City.
- **Basic Financial Statements.** Includes the Statement of Net Position, Statement of Activities, fund financial statements and the notes to the 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 be more corporate like in that all activities are consolidated into a total for the City.
 - The Statement of Net Position focuses on resources available for future operations. This statement presents a snap-shot view of the assets the City owns, the liabilities it owes and its equity. The equity is further separated into amounts invested in capital assets, restricted for specific purposes, and unrestricted amounts.
 - The Statement of Activities focuses on gross and net expenses of City programs and the extent to which such programs rely upon general tax and other revenues.
 - Fund financial statements focus separately on major governmental funds and proprietary funds. Governmental fund statements follow the more traditional presentation of governmental financial statements. The City's major governmental funds are presented in their own column and the remaining funds are combined into a column titled "Non-major Funds." Budgetary comparison schedules are presented for the General Fund, the Transportation Fund, and Building Fund as Required Supplementary Information, and the HEDC North Hillsboro Industrial Fund as Supplementary Information. Statements for the City's proprietary funds follow the governmental funds and include net position, revenues, expenses and change in net position, and cash flows.
 - The notes to the basic financial statements provide additional disclosures to assist the reader in understanding the City's financial condition.
- **Required Supplementary Information.** Includes the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual for the General, Transportation, and Building Fund. This section also presents schedules of funding progress for the City's pension and other post-employment benefits plans, as well as other pension information.
- **Other Supplementary Information.** Readers desiring additional information on major funds not identified as Special Revenue Funds, non-major funds can find it in the combining statements of non-major funds and the budgetary comparison sections of this report. Components within this section include:

CITY OF HILLSBORO, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

JUNE 30, 2025

Report Format, (Continued)

- *Combining Statements.* Major funds are included within the basic financial statements, whereas non-major funds are presented here. These statements include balance sheets and statements of revenues, expenditures, and changes in fund balances.
- *Budgetary Comparisons.* Includes budgetary information for all non-major funds and business type activities.
- *Other Schedules.* Includes Property Tax Transactions, General Fund Combining Balance Sheet, and General Fund Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances completes the Financial Section of the report.
- **Statistical Section.** Trend information and demographics.
- **Compliance Section.** Reports and schedules required by *Government Auditing Standards* and the Uniform Guidance for the City's federal financial assistance programs. Financially related comments and disclosures required by Oregon Revised Statutes are included in this section.

Statement of Net Position

The following compares the June 30, 2025 and 2024, Statements of Net Position (all amounts are in thousands):

	Governmental Activities		Business-Type Activities	
	2025	2024	2025	2024
ASSETS:				
Current and other assets	\$ 548,675	\$ 506,536	\$ 738,028	\$ 687,593
Capital assets, net	1,010,029	874,318	378,871	359,558
TOTAL ASSETS	1,558,704	1,380,854	1,116,899	1,047,151
TOTAL DEFERRED OUTFLOWS OF RESOURCES:				
	68,060	59,976	10,491	8,820
LIABILITIES:				
Long-term liabilities outstanding	345,510	345,839	324,976	322,566
Other liabilities	21,723	20,242	30,328	27,371
TOTAL LIABILITIES	367,233	366,081	355,304	349,937
TOTAL DEFERRED INFLOWS OF RESOURCES:				
	20,479	12,550	3,353	2,091
Net investment in capital assets	946,528	805,136	328,800	309,409
Restricted	226,070	206,830	7,519	30,967
Unrestricted	66,454	50,233	432,414	363,567
TOTAL NET POSITION	\$ 1,239,052	\$ 1,062,199	\$ 768,733	\$ 703,943

CITY OF HILLSBORO, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

JUNE 30, 2025

Statement of Net Position (Continued)

The following explains the significant fluctuations in the Statement of Net Position from fiscal year 2024.

The increase in Governmental Activities assets of approximately \$177.9 million is primarily due to net activity of cash related operations and acquisitions of capital assets (both through acquisition and contribution) outpacing depreciation and disposals. Capital assets increased approximately \$135.7 million as a result of additions of approximately \$154.4 million outpacing depreciation expense of approximately \$19.6 million, and disposed assets of approximately \$200,000, and recategorization of land held for resale of \$1.1 million. Other assets increased approximately \$7.2 million, primarily due to a note receivable of \$8 million from Washington County for a contribution to the new ballpark construction. Cash and investments increase of approximately \$34.9 million increase in cash and investments is primarily due to the net effect of the net increases in revenues described below, which significantly outpaced expenses and are cash-related in nature. Much of these revenues were restricted to be spent in future years.

Governmental Activities deferred outflows of resources increased approximately \$8.1 million primarily due to changes in pension differences recognized through actuarial studies of the pension system.

Governmental Activities liabilities increased minimally by approximately \$1.2 million, primarily due to growth in payroll and investment earnings in the State of Oregon pension system not reaching the assumed rate causing employer rates to increase (\$7.2 million increase), increases in accrued compensated absences due implementation of GASB Statement 101 (\$3.9 million increase) and decreases in bonds, notes and leases payable due to principal repayment (\$12.5 million net increase).

Governmental Activities deferred inflows of resources increased by approximately \$7.9 million, which is due to differences recognized through actuarial studies of the pension system.

The increase in Business-Type Activities assets of approximately \$69.7 million is primarily due to an increase in investments in joint ventures of approximately \$79.9 million due to the City's investment in the Willamette Water Supply System joint venture. Cash and investments decreased by \$29.2 million, also primarily due to the City's investment in the Willamette Water Supply System joint venture. Finally, capital assets increased approximately \$19.3 million due to additions of approximately \$30.1 million (of which, \$15.7 million was from capital contributions), outpacing depreciation expense of approximately \$10.8 million.

Liabilities increased by approximately \$5.4 million due primarily to increases in net pension liability and debt. Net pension liability increased by approximately \$2.4 million due primarily to annual actuarial differences increasing approximately \$2.0 million. Other liabilities increased approximately \$3 million due to accrued interest payable increases of approximately \$3.5 million.

CITY OF HILLSBORO, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

JUNE 30, 2025

Statement of Activities

The following is a comparison between the June 30, 2025 and 2024, Statement of Activities (all amounts are in thousands):

	Governmental Activities		Business-Type Activities	
	2025	2024	2025	2024
REVENUES:				
Program revenues:				
Fees, fines and charges for services	\$ 78,521	\$ 59,546	\$ 101,069	\$ 91,242
Operating grants and contributions	13,642	13,349	-	100
Capital grants and contributions	110,014	55,639	15,681	24,629
General revenues:				
Earnings on investments	21,211	16,061	12,744	11,565
Property taxes	118,066	111,145	-	-
Franchise fees	27,700	24,272	-	-
Other	43,856	44,146	-	-
TOTAL REVENUES	413,010	324,158	129,494	127,536
EXPENSES:				
General government	42,873	35,660	-	-
Public safety and judicial	95,503	90,723	-	-
Community service	15,510	13,177	-	-
Culture and recreation	44,734	40,804	-	-
Roads and bridges	23,387	21,275	-	-
Interest on long term debt	6,471	7,611	-	-
Business-type activities	-	-	68,892	60,396
TOTAL EXPENSES	228,478	209,250	68,892	60,396
EXCESS OF REVENUE OVER OVER EXPENSES BEFORE TRANSFERS				
Transfers in (out)	(4,548)	(12,431)	4,548	12,431
CHANGE IN NET POSITION	179,984	102,477	65,150	79,571
NET POSITION - beginning	1,062,199	959,722	703,943	624,372
Effect of change for implementation of GASB Statement No. 101	(3,131)	-	(360)	-
NET POSITION - beginning, as restated	1,059,068	959,722	703,583	624,372
NET POSITION - ending	\$ 1,239,052	\$ 1,062,199	\$ 768,733	\$ 703,943

Governmental activities overall total revenues increased from 2024 by approximately \$88.9 million due to the net effect of several items. Increases of approximately \$54.4 million were in capital grants and contributions due to significant contributions towards the new Hops stadium including \$31.2 million from the Hops, \$8 million from Washington County, and \$15 million from the State of Oregon. Fees, fines and charges for services increased approximately \$19 million due to

CITY OF HILLSBORO, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

JUNE 30, 2025

Statement of Activities (Continued)

one-time Metro affordability housing bonds passed through to a developer of \$10.5 million and an approximate \$9.5 million increase in E-Zone property tax abatement revenue due to a change in how property is assessed for data centers, moving from the cost approach to the income approach. Interest earnings increased approximately \$5.2 million primarily due to the market interest rates, and improvement in the fair market value of long-term investments. Property tax revenues increased approximately \$6.9 million due to assessed value increasing 6.16%. Franchise fees increased approximately \$3.4 million due to increased activity and business conducted in city limits.

Governmental Activities' expenses increased by approximately \$19.2 million from fiscal year 2024. Key factors to this increase include increases to salary and benefits of approximately \$10.9 million due to cost-of-living adjustments, added personnel, and increases to medical premiums and employer contributions to PERS. Affordable housing expenses increased for one-time payments to a developer of \$10.5 million, using the Metro affordable housing bond pass through funds. Decreases in differences recognized through actuarial studies of the pension system decreased approximately \$4.1 million. Debt service decreased by approximately \$1.4 million in accordance with amortization schedules, including debt retirements.

Overall Business-Type activity revenues increased from fiscal year 2024 by approximately \$1.9 million. Capital contributions decreased by approximately \$8.9 million from the prior year as developer dedicated infrastructure in South Hillsboro and other parts of the city slowed down. Fees, fines and charges for services saw an increase of approximately \$9.8 million primarily due to increased service rates and system growth, and interest earnings increased approximately \$1.2 million primarily due to the interest rates in the market, and improvement in the fair market value of long-term investments.

Business-Type activity expenses increased by approximately \$8.4 million due to increases in expenses such as personnel (filling vacancies, rising costs of employer contributions to PERS and medical rates) and materials and services due to inflationary cost of services increasing from the previous year.

Changes in Fund Balance

Governmental funds' fund balance increased by approximately \$42.4 million from 2024. With respect to revenues, the property and other taxes including the Urban Renewal areas, increased by approximately \$6.6 million primarily due to the increase in the City's assessed value of 6.16% and growth within the urban renewal areas. Franchise fees increased approximately \$3.4 million due to increased activity of utility and other services within the city limits. Licenses and permits decreased by approximately \$1 million due to decreased activity. Charges for services decreased approximately \$2.4 million due to one-time receipts of transportation development fee in lieu of construction payments of \$2.6 million received in the previous year which did not occur in the current year. Interest revenues increased by approximately \$4.2 million due to the interest rates in the market, and improvement in the fair market value of long-term investments. Miscellaneous revenues increased approximately \$15.8 million due to a \$9.8 million increase in E-Zone fee revenue due to a change in the assessed value is calculated for data centers, and \$6.1 million for the Shute Road multi-use construction reimbursement.

CITY OF HILLSBORO, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

JUNE 30, 2025

Changes in Fund Balance (Continued)

Expenditures across the Governmental Funds increased by approximately \$29.7 million. Primarily, this was led by the fiscal year 2025 one-time approximate \$10.5 million payment of Metro affordable housing dollars. Personnel services costs increased approximately \$8.3 million due to cost-of-living adjustments, new positions, increase in PERS contribution rates, and filling of vacant positions. Internal services charged to governmental activities increased by approximately \$2.5 million primarily due to increased personnel services and materials and services costs. Debt service increased approximately \$2.3 million primarily due to the new ongoing repayments of the South Hillsboro Local Improvement District bonds and scheduled repayment of North Hillsboro Urban Renewal contracts. Finally, capital outlay expenses increased in the current year by approximately \$9.2 million including approximately \$6.1 million for the Shute Road multi-use construction reimbursement.

General Fund total revenues increased compared to the prior year by approximately \$30.2 million primarily due to certain recurring revenues increasing over the previous year. Property taxes increased approximately \$4.2 million due to a 5.22% increase in assessed value. Franchise fees increased by approximately \$3.4 million due to increases in rate and volume of utilities consumed in the City. Investment income increased approximately \$1.4 million due to the interest rates in the market, and improvement in the fair market value of long-term investments. Within miscellaneous revenue, enterprise zone revenue increased approximately \$9.8 million due to the E-Zone assessed value calculation change previously mentioned.

General Fund expenditures have increased compared to the prior year by approximately \$20.8 million. Affordable housing expenses increased for one-time payments to a developer of \$10.5 million, using the Metro affordable housing bond pass through funds. Personnel services increased approximately \$7 million resulting from increased cost of living adjustments, filling of vacant positions, increase in PERS costs, addition of new positions and increases in overtime due to underfilled positions. Internal services charged to the General Fund increased by approximately \$1.9 million primarily due to increased personnel services and materials and services costs. Net transfers increased by approximately \$8.5 million due primarily to an increase in transfers in because of a one-time transfers of \$11.1 million for general fund stabilization from the Facilities Management Strategic Investment Program sub fund. Overall, the General Fund's fund balance increased by approximately \$21.4 million related to the aforementioned changes.

The Transportation Fund's fund balance increased by approximately \$2.2 million primarily due to current revenue outpacing planned infrastructure construction and improvements. Operating revenues increased from the previous year by approximately \$4.4 million and operating expenditures increased by approximately \$10.2 million. In both revenues and expenditures, \$6.1 million was recognized for the Shute Road Multiuse path project.

The HEDC North Hillsboro Industrial Fund's fund balance increased by approximately \$5.2 million primarily due to transfers in of \$5 million to fund urban renewal projects.

Building Fund's fund balance decreased by approximately \$1 million. License and permits decreased from the previous year by approximately \$1.5 million due to certain one-time large projects permitted in the previous year. Interest earned through an interfund loan and improvements to interest rates increased earnings by approximately \$2.1 million over the prior year. While revenues continue to outpace current operating expenditures, transfers out of approximately \$6.2 million primarily for the remodel of the permit center offset the excess revenues; thus, contributing to the overall decrease in fund balance.

CITY OF HILLSBORO, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

JUNE 30, 2025

Changes in Business-type Net Position

Enterprise funds' net position increased in total by approximately \$65.2 million from 2024. The Utilities Commission Fund's net position increased by approximately \$38.7 million from 2024. The primary factors for the increase include charges for services increasing by approximately \$4.9 million due to rate increases in January 2025 which averaged 6% with an increase of 1.52% to consumption. Net increases in revenues are to be used to fund capital development and current operating expenses which increased by approximately \$3.5 million from the prior fiscal year primarily due to inflationary factors increasing the following categories over the prior year: personnel costs including added positions (approximately \$2.2 million), water purchases (approximately \$664,000), support services (approximately \$424,000).

The Sewer Fund's net position increased by approximately \$12.7 million from 2024. Primary factors to this increase include contributed capital of approximately \$5.1 million for developer dedicated infrastructure which does not require current cash outflow. While operating expenses increased by approximately \$1.9 million primarily due to inflationary increases in personnel services and support services, revenues still outpaced expenditures. As a result, approximately \$5.5 million in operating revenues were received in excess of operating expenditures.

The Surface Water Management Fund's net position increased by approximately \$11.1 million from 2024. Primary factors to this increase include contributed capital of approximately \$7 million for developer dedicated infrastructure which does not require current cash outflow. Rates increased 12.3%, driving revenues up approximately \$2 million. Growth in operating revenues outpaced growth in operating expenses by approximately \$3.5 million.

Budgetary Highlights

Fiscal year 2025 is the second year of a biennial budget. The General Fund actual resources were generally more favorable than the biennial budget except for intergovernmental revenues. Included in intergovernmental revenues are Metro Affordable Housing funds, of which were partially received in fiscal year 2025, and further funds will be received in future fiscal years. These funds are spent on Affordable housing: Special Payments, which reflects the same under-budget results as of year-end. Expenditures, otherwise, were generally within the revised biennial budget.

During the year, supplemental budgets and transfers of appropriation were made to the original budget for the General Fund in the amounts below and for the reasons described:

CITY OF HILLSBORO, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

JUNE 30, 2025

Budgetary Highlights (Continued)

	Biennial Budget			Explanation
	Original	Final	Variance	
Revenues:				
Charges for services	\$ 9,890,755	\$ 11,458,224	\$ 1,567,469	Increased medical transport fees collected
Grants and donation	<u>1,399,658</u>	<u>1,961,046</u>	<u>561,388</u>	Unexpected planning, police and fire grants
			<u>\$ 2,128,857</u>	
Expenditures				
Planning	11,370,509	11,670,509	300,000	Spending of grant funds for technology park
Transportation systems	3,443,985	4,140,985	697,000	Contractual services for design projects
Police	98,823,372	99,194,510	371,138	Addition of position
Fire	72,484,224	77,147,630	4,663,406	Union contract ratification, addition of South Hillsboro station positions
Street lights	600,000	735,000	135,000	Increasing utility costs
COVID-19 response -				
Materials and services	2,097,825	2,412,825	315,000	Accelerated spending plan of response funds
Special payments	100,000	500,000	400,000	Accelerated spending plan of response funds
Contingency	<u>14,642,746</u>	<u>9,890,059</u>	<u>(4,752,687)</u>	Reduced to meet the budget changes above
			<u>\$ 2,128,857</u>	

Capital Assets

At June 30, 2025, the City had approximately \$1.389 billion invested in a broad range of capital assets, including land, buildings and improvements, equipment, roads, bridges, and water, sewer and storm water lines. The following is a comparison of capital assets as of June 30, 2025 and 2024 (all amounts are in thousands):

	Governmental Activities		Business-Type Activities		Total
	2025	2024	2024	2024	
Water and pumping					
station rights	\$ -	\$ -	\$ 1,207	\$ 1,207	\$ 1,207
Land and easements	487,610	461,013	43,414	40,184	531,024
Water rights	-	-	22,454	22,454	22,454
Buildings and structures	292,836	280,266	23,100	22,611	315,936
Temporary easements	4,256	4,256	-	-	4,256
Machinery, equipment, and					
transmission	51,755	46,368	170,476	152,279	222,231
Dams, reservoirs, treatment					
facilities	-	-	40,551	40,551	40,551
Infrastructure	645,521	612,724	233,333	208,253	878,854
SBITA	5,257	3,996	-	-	5,257
Construction in progress	110,470	35,831	4,421	21,604	114,891
Accumulated depreciation	<u>(587,676)</u>	<u>(570,136)</u>	<u>(160,085)</u>	<u>(149,585)</u>	<u>(747,761)</u>
	<u>\$ 1,010,029</u>	<u>\$ 874,318</u>	<u>\$ 378,871</u>	<u>\$ 359,558</u>	<u>\$ 1,388,900</u>

CITY OF HILLSBORO, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

JUNE 30, 2025

Capital Assets (Continued)

The Governmental Activities capital assets increased by approximately \$135.7 million due to capital asset additions of approximately \$154.4 million (of which approximately \$76.7 million was from capital contributions), outpacing approximately \$19.6 million in depreciation, disposals of approximately \$200,000, and reclassified land held for resale of approximately \$1.1 million. Business-Type Activities capital assets increased approximately \$19.3 million due to capital asset additions of approximately \$30.1 million (of which approximately \$15.7 million was from capital contributions), outpacing depreciation expense of approximately \$10.8 million.

Further information may be found in Note 9 of the Notes to Basic Financial Statements.

Debt

As of year-end, the City had approximately \$490.8 million in bonds and notes payable compared to \$500.5 million in fiscal year 2024. Approximately \$10.7 million of the debt at June 30, 2025, is due within one year. As of June 30, 2025, the City has no general obligation debt outstanding. Debt was incurred for the following (all amounts are in thousands):

	Totals	
	2025	2024
Governmental:		
Construction and land acquisition	\$ 190,184	\$ 199,835
Business-Type:		
Water	300,594	300,672
Total	\$ 490,778	\$ 500,507

Debt issuances are summarized as follows:

- In fiscal year 2024, the City issued \$83.14 million in Full Faith and Credit bonds for the acquisition of land for large lot preparation for industrial companies in the North Hillsboro Urban Renewal area. Also, the City completed draws of \$95.5 million against the \$250.5 million Water Infrastructure Finance and Innovation Act (WIFIA) loan with the United States Environmental Protection Agency (EPA).
- In fiscal year 2023, the City issued \$12.5 million in Full Faith and Credit bonds for reimbursement of transportation construction costs in the South Hillsboro Local Improvement District (LID). Also, the City performed draws against the \$250.5 million WIFIA loan with the United States Environmental Protection Agency (EPA) totaling \$110 million.
- In fiscal year 2022, the City incurred an inter-fund note between the Facilities Management Fund (Strategic Investment Program sub fund, specifically) and the Building Fund for approximately \$12.8 million to acquire land held for resale in the North Hillsboro Industrial Urban Renewal Area. The interfund note was repaid in full during this fiscal year. Also, the City performed three draws of \$35 million against the WIFIA loan with the EPA.
- In fiscal year 2021, the City incurred a note payable for the acquisition of land and infrastructure for large lot preparation for industrial companies in the North Hillsboro Industrial Urban Renewal area for approximately \$25.3 million. Also, the City made its first draw of \$10 million against its loan agreement with the United States Environmental Protection Agency through the WIFIA. The City first closed on the WIFIA loan in fiscal year 2020, with ability to draw up to approximately \$250.5 million (excluding capitalized interest).

CITY OF HILLSBORO, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

JUNE 30, 2025

Debt (Continued)

- In fiscal year 2020, the City issued Full Faith and Credit obligation (Series 2019) to fund the construction of a community center for approximately \$35.2 million. Also, the City issued water revenue bonds for approximately \$48.2 million to partially fund the construction and investment in the Willamette Water Supply System. The City also incurred a note payable for the acquisition of land and infrastructure for large lot preparation for industrial companies in the North Hillsboro Industrial Urban Renewal area for approximately \$23 million.
- In fiscal year 2017, the City issued Full Faith and Credit obligation (Series 2016 and Series 2017). Series 2016 bonds were issued to partially fund the construction of a public works facility. Series 2017 bonds were issued for the purchase of a public safety training facility and refunding of the Series 2010 bonds and a 2005 note.
- In fiscal year 2016, the City issued an inter-fund note between the Parks System Development Charges Fund and the Building Fund for \$9 million to acquire property in the South Hillsboro region of the City. In fiscal year 2017, the City issued an additional \$1 million inter-fund note between these two funds, bringing the total to \$10 million. The interfund note was repaid in full during this fiscal year.
- In fiscal year 2013, the City issued Full Faith and Credit obligations (Series 2012A and 2012B) and notes. The 2012 bonds issued were used for the refunding of a 2004 Series Civic Center, remodel projects for both libraries and construction of a new ballpark.

The obligations are backed by the full faith and credit of the City and water revenues, as applicable. The City primarily uses Strategic Investment Program revenues to meet the debt obligations for governmental activities debt.

The State of Oregon (the State) mandates a general obligation debt limit of 3 percent of true market value of taxable property within the City boundaries. The limit totaled \$1.83 billion at June 30, 2025. The City did not have any net debt subject to this limit as of June 30, 2025; therefore \$1.83 billion is available for future indebtedness.

Further information may be found in Note 10 of the Notes to Basic Financial Statements.

Economic Factors

The governmental funds' largest revenue sources are property taxes, franchise fees, fees for charges and services, and state shared revenues. The State does not have a sales tax, resulting in local government's heavy reliance on property taxes and other self-generated revenues including franchise fees, business licenses, etc. The State of Oregon moved from a tax base system to a tax rate system in the mid 1990's. In 2025, the City's assessed value increased 6.16%, including urban renewals, above the 3% allowed under Oregon statute, because of continued City growth.

In all funds, personnel costs continue to rise due to cost of living expenses and retirement costs. During 2025, the preferred provider organization health insurance plan increased by approximately 10.3% and the health maintenance organization plan increased approximately 16%. In 2025, employee medical premium contributions were \$155 per month for non-union, Police Union, and Library Union employees, and \$145 per month for Fire Union employees. The City also began offering a high-deductible health plan with funded health savings account to non-union and Library Union employees, but has a comparatively smaller election of employees participating. Non-represented employees received a cost-of-living adjustment (COLA) of 4.0% and wage adjustment of 1.0% in July 2024, as well as a compensation study adjustment of 2%. Police Union employees received a COLA of 4.0%, Fire Union employees received a COLA of 4.0%, Fire Battalion Chief Union employees received a COLA of 4.0% and Library Union employees received a COLA of 5.0%.

CITY OF HILLSBORO, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

JUNE 30, 2025

Economic Factors (Continued)

The City, along with local governments across the State, continues to pay higher costs for employee retirement costs of the State-run pension fund. The Public Employee Retirement System (PERS) sets the contribution rates biennially. Fiscal year 2023-24 was the first year of the current biennium rates. The rates for the current biennium are as follows: Tier I/II employee at 24.68%, Oregon Public Service Retirement Plan (OPSRP) general employees at 18.60% and OPSRP Police/Fire employees at 23.39%. PERS rates for the next biennium, beginning July 1, 2025, will increase to the following rates, respectively: 28.31%, 22.74%, and 28.01%. These increases have factored into forecasts by the City. Additionally, the City funded a PERS Side Account for \$5 million on August 30, 2018. To date, funding this side account has successfully reduced and is helping to stabilize the impact of future increases to the City's pension contribution rates.

The City continues to receive approximately \$6.3 to \$6.5 million through the State's Gain Share program per year. The current legislation sunsets in 2030, but calculated payments may be limited based on job creation and retention. The City has chosen to use Gain Share funds primarily for one-time projects, seeding reserve funds, and construction of and operations for HiLight, the City's broadband internet service.

Business-Type Activities are funded through water, sewer, and surface water management rates and system development charges. The City has the ability to increase rates to keep pace with growing costs as well as increasing demands on the systems. The City generally increases water rates annually. On January 1, 2025, typical residential rates increased 5.7%, and on January 1, 2026, those rates will increase an additional 5.7%. During the fiscal year, Sewer and surface water management (SWM) rates were separated between the City's rate from the Clean Water Services (CWS) rate. CWS rates generally increased annually in July. The City's Sewer and SWM rates typically increase each January. Between the CWS and City rates, Sewer rates increased 5.1% and SWM rates increased 12.3%. On January 1, 2026, the City Sewer rate will increase 8%, and SWM rates will increase 10%.

The City's adopted policy is to maintain a fund balance of 15% of expenditures in the General Fund Operations (sub fund of the General Fund, known as Fund 100) with a goal of 20%. The ending fund balance at June 30, 2025, was 23.5% of expenditures which is an increase of 2.6% from last year's 20.9%. This increase is recognized because of significant one-time transfers in from the Facilities Management Strategic Investment Program sub fund (\$10.3 million) to stabilize the ending fund balance goal. City management aims to stabilize to the goal of 20% as the City continues to face challenges from compounding issues including recovery from current market inflation. The City is managing a plan to, at minimum, maintain the fund balance at 15%, with a desired target of 20%.

Financial Contact

The City's financial statements are designed to present users, including taxpayers, community members, customers, investors and creditors with a general overview of the City's finances and overall accountability. If you have questions about the contents of this report or need additional financial information, please contact the City's Chief Financial Officer at 150 East Main St., Hillsboro, OR 97123, or navigate to our website at www.hillsboro-oregon.gov/finance.

BASIC FINANCIAL STATEMENTS

CITY OF HILLSBORO, OREGON

STATEMENT OF NET POSITION

JUNE 30, 2025

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 45,800,225	\$ 14,274,672	\$ 60,074,897
Collections held by county treasurer	249,452	-	249,452
Cash held in escrow	796,564	-	796,564
Investments	306,034,264	207,936,950	513,971,214
Receivables, net	25,258,782	21,009,723	46,268,505
Lease receivable	4,259,950	693,607	4,953,557
Note receivable	8,578,376	-	8,578,376
Land held for resale	153,733,552	-	153,733,552
Investment in joint ventures	-	493,660,564	493,660,564
Prepaid asset, bond insurance	1,867,227	-	1,867,227
Capital assets not being depreciated	598,080,012	70,288,292	668,368,304
Capital assets, net	411,949,198	308,582,434	720,531,632
Net other post-employment benefits (OPEB) asset	2,096,743	452,604	2,549,347
TOTAL ASSETS	1,558,704,345	1,116,898,846	2,675,603,191
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred pension differences	65,424,855	10,066,068	75,490,923
Deferred OPEB differences	1,969,345	425,103	2,394,448
Deferred charges on refunding	665,856	-	665,856
TOTAL DEFERRED OUTFLOWS OF RESOURCES	68,060,056	10,491,171	78,551,227

CITY OF HILLSBORO, OREGON

STATEMENT OF NET POSITION - Continued

JUNE 30, 2025

	Governmental Activities	Business-Type Activities	Total
LIABILITIES:			
Accounts and claims payable	\$ 14,507,547	\$ 21,015,616	\$ 35,523,163
Accrued payroll payable	3,048,000	576,000	3,624,000
Deposits payable	257,310	876,855	1,134,165
Unearned revenue	1,359,583	-	1,359,583
Accrued interest payable	697,740	7,859,860	8,557,600
Worker's compensation claims payable	1,853,000	-	1,853,000
Long-term liabilities:			
Portion due or payable within one year:			
Compensated absences	4,372,794	829,272	5,202,066
Bonds payable, net	6,151,872	77,751	6,229,623
Notes payable	2,870,000	-	2,870,000
Lease and SBITA payable	1,072,653	-	1,072,653
Portion due or payable after one year:			
Net pension liability	132,186,942	20,337,880	152,524,822
Compensated absences	7,870,268	1,323,734	9,194,002
Total OPEB Liability	8,758,727	1,890,661	10,649,388
Bonds payable, net	147,027,861	300,516,668	447,544,529
Notes payable	34,134,000	-	34,134,000
Lease and SBITA payable	1,064,531	-	1,064,531
TOTAL LIABILITIES	367,232,828	355,304,297	722,537,125
DEFERRED INFLOWS OF RESOURCES:			
Deferred pension differences	13,579,738	2,089,337	15,669,075
Deferred OPEB differences	2,639,469	569,756	3,209,225
Deferred lease resources	4,259,950	693,607	4,953,557
TOTAL DEFERRED INFLOWS OF RESOURCES	20,479,157	3,352,700	23,831,857
NET POSITION:			
Net investment in capital assets	946,528,149	328,799,692	1,275,327,841
Restricted for:			
Law enforcement programs	1,134,290	-	1,134,290
Roads and paths maintenance	69,867,407	-	69,867,407
Building inspection	58,672,436	-	58,672,436
System development	36,217,068	7,066,838	43,283,906
Urban renewal	56,232,888	-	56,232,888
Parks mitigation	177,414	-	177,414
Parks and recreation services	1,672,277	-	1,672,277
OPEB Asset	2,096,743	452,604	2,549,347
Unrestricted	66,453,744	432,413,886	498,867,630
TOTAL NET POSITION	\$ 1,239,052,416	\$ 768,733,020	\$ 2,007,785,436

See notes to basic financial statements.

See notes to basic financial statements.

CITY OF HILLSBORO, OREGON

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2025

FUNCTION / PROGRAM	Program Revenues				Net Revenue (Expense) and Changes in Net Position		
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES:							
General government	\$ 42,873,493	\$ 29,933,919	\$ 921,574	\$ 56,806,097	\$ 44,788,097	\$ -	\$ 44,788,097
Public safety and judicial	95,502,740	2,941,736	439,413	-	(92,121,591)	-	(92,121,591)
Community service	15,510,160	17,189,256	815,245	-	2,494,341	-	2,494,341
Culture and recreation	44,733,516	13,709,649	257,033	23,361,468	(7,405,366)	-	(7,405,366)
Roads and bridges	23,387,235	14,746,620	11,209,010	29,846,453	32,414,848	-	32,414,848
Interest on long-term debt	6,471,419	-	-	-	(6,471,419)	-	(6,471,419)
TOTAL GOVERNMENTAL ACTIVITIES	228,478,563	78,521,180	13,642,275	110,014,018	(26,301,090)	-	(26,301,090)
BUSINESS-TYPE ACTIVITIES:							
Water	40,175,534	66,411,181	-	3,599,456	-	29,835,103	29,835,103
Sewer	11,172,063	16,644,336	-	5,077,067	-	10,549,340	10,549,340
Surface water management	12,371,896	15,861,371	-	7,004,100	-	10,493,575	10,493,575
Transit facility management	1,025,225	867,467	-	-	-	(157,758)	(157,758)
Broadband	4,147,422	1,257,972	-	-	-	(2,889,450)	(2,889,450)
Property management	-	27,423	-	-	-	27,423	27,423
TOTAL BUSINESS-TYPE ACTIVITIES	68,892,140	101,069,750	-	15,680,623	-	47,858,233	47,858,233
TOTAL	\$ 297,370,703	\$ 179,590,930	\$ 13,642,275	\$ 125,694,641	(26,301,090)	47,858,233	21,557,143
GENERAL REVENUES:							
Property taxes levied for:							
General purposes					80,578,371	-	80,578,371
Public safety					31,331,704	-	31,331,704
Library (levied by County)					6,155,759	-	6,155,759
Franchise fees					27,700,079	-	27,700,079
Other taxes/payments in lieu of property taxes					43,856,230	-	43,856,230
Earnings (losses) on investments					21,210,662	12,744,037	33,954,699
Transfers					(4,547,744)	4,547,744	-
TOTAL GENERAL REVENUES AND TRANSFERS	206,285,061	17,291,781	-	223,576,842			
CHANGE IN NET POSITION							
NET POSITION - beginning as previously reported							
EFFECT OF CHANGE FOR GASB STATEMENT							
101 IMPLEMENTATION							
NET POSITION - beginning							
NET POSITION - ending							
					(3,130,697)	(360,012)	(3,490,709)
					1,059,068,445	703,583,006	1,762,651,451
					\$ 1,239,052,416	\$ 768,733,020	\$ 2,007,785,436

See notes to basic financial statements.

CITY OF HILLSBORO, OREGON

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2025

	Capital Projects Fund				Non-Major Funds	Total		
	Special Revenue Funds		HEDC *					
	General Fund	Transportation Fund	Building Fund	North Hillsboro Industrial Fund				
ASSETS:								
Cash and cash equivalents	\$ 4,709,377	\$ 4,860,405	\$ 3,769,963	\$ 5,183,524	\$ 22,472,062	\$ 40,995,331		
Collections held by county treasurer	207,087	-	-	-	42,365	249,452		
Cash held in escrow	-	796,564	-	-	796,564			
Investments	68,407,874	70,764,502	54,922,241	-	41,940,118	236,034,735		
Receivables, net	8,016,766	5,582,288	368,400	31,755	10,397,955	24,397,164		
Lease receivable	30,718	-	-	-	-	30,718		
Interfund receivable	-	-	1,500,000	-	-	1,500,000		
Land held for resale	-	-	-	148,661,014	-	148,661,014		
TOTAL ASSETS	\$ 81,371,822	\$ 82,003,759	\$ 60,560,604	\$ 153,876,293	\$ 74,852,500	\$ 452,664,978		
LIABILITIES:								
Accounts payable	\$ 1,681,022	\$ 3,420,977	\$ 1,770,168	\$ 156,361	\$ 216,707	\$ 7,245,235		
Accrued payroll payable	2,108,000	156,000	118,000	-	9,000	2,391,000		
Deposits payable	-	242,049	-	-	15,261	257,310		
Unearned revenue	1,011,324	348,259	-	-	-	1,359,583		
TOTAL LIABILITIES	4,800,346	4,167,285	1,888,168	156,361	240,968	11,253,128		
DEFERRED INFLOWS OF RESOURCES:								
Unavailable revenue, SDCs	-	2,946,321	-	-	66,614	3,012,935		
Unavailable revenue, property taxes	1,244,303	-	-	-	237,812	1,482,115		
Unavailable revenue, municipal court fines and fees	1,070,500	-	-	-	-	1,070,500		
Unavailable revenue, leases	30,718	-	-	-	-	30,718		
Unavailable revenue, assessments	-	-	-	-	9,520,770	9,520,770		
Unavailable revenue, other	248,387	-	-	-	4,482	252,869		
TOTAL DEFERRED INFLOWS OF RESOURCES	2,593,908	2,946,321	-	-	9,829,678	15,369,907		
FUND BALANCES:								
Restricted	29,021,067	68,453,291	58,672,436	153,719,932	60,334,147	370,200,873		
Committed	-	7,026,065	-	-	-	7,026,065		
Assigned	5,640,212	-	-	-	4,447,707	10,087,919		
Unassigned	39,316,289	(589,203)	-	-	-	38,727,086		
TOTAL FUND BALANCES	73,977,568	74,890,153	58,672,436	153,719,932	64,781,854	426,041,943		
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 81,371,822	\$ 82,003,759	\$ 60,560,604	\$ 153,876,293	\$ 74,852,500	\$ 452,664,978		

* HEDC - Hillsboro Economic Development Council

See notes to basic financial statements.

CITY OF HILLSBORO, OREGON

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

JUNE 30, 2025

TOTAL FUND BALANCE	\$ 426,041,943
Total net position in the Statement of Net Position is different because:	
Capital assets are not financial resources and therefore are not reported in the governmental funds.	745,678,397
A portion of the City'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.	1,482,115
A portion of the City's system development charges and other charges 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.	4,336,304
Unavailable assessment revenues are not available for the current year's operations, and therefore, are not reported as revenues in the governmental funds.	9,520,770
Prepaid assets for bond insurance are not usable in the current period and, therefore, are not reported in the governmental funds.	1,867,227
Long-term assets, including notes receivable, are not due and receivable in the current period and, therefore, are not reported in the governmental funds.	578,376
Compensated absences not payable in the current year are not recorded as governmental fund liabilities	(9,356,651)
The following items related to the other post-employment benefit (OPEB) activity do not provide (use) current resources and, therefore, are not reported in the governmental funds.	
Net OPEB asset	1,606,641
Net OPEB liability	(6,711,421)
Deferred outflows - OPEB related	1,509,023
Deferred inflows - OPEB related	(2,022,503)
Long-term debt is not recorded in the governmental funds, but rather is recognized as a liability in the Statement of Net Position.	(128,154,000)
Accrued interest payable as of the end of the fiscal year is not payable in the current period and, therefore, are not reported in the governmental funds.	(514,644)
The following items related to the net pension activity do not provide (use) current resources and, therefore, are not reported in the governmental funds.	
Net pension liability	(108,501,778)
Deferred outflows - pension related	53,702,079
Deferred inflows - pension related	(11,146,531)
Internal service funds are used by management to charge the costs of insurance, risk management, facilities management, dispatch and other services to individual funds. Their assets, liabilities and net position are included in the Statement of Net Position.	
TOTAL NET POSITION	<u>\$ 1,239,052,416</u>

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See notes to basic financial statements.

CITY OF HILLSBORO, OREGON

GOVERNMENTAL FUNDS

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES**

YEAR ENDED JUNE 30, 2025

	Special Revenue Funds				Capital Projects Fund		Non-Major Funds	Total		
	General Fund	Transportation Fund	Building Fund	HEDC *						
					North Hillsboro Industrial Fund					
REVENUES:										
Property and other taxes	\$ 103,765,275	\$ -	\$ -	\$ -	\$ 19,955,523	\$ 123,720,798				
Intergovernmental	11,984,653	11,209,010	-	-	-	23,193,663				
Franchise fees	27,700,079	-	-	-	-	27,700,079				
Licenses and permits	1,069,281	510,743	10,562,074	-	-	12,142,098				
Fines, forfeitures, and penalties	657,747	-	-	-	-	657,747				
Charges for services	6,621,483	8,844,822	-	-	7,861,917	23,328,222				
Gain share contributions	-	-	-	-	6,491,046	6,491,046				
Development charges	-	-	-	1,616,801	-	1,616,801				
Interest and investments	4,224,221	4,191,152	4,313,739	286,627	3,944,821	16,960,560				
Miscellaneous	17,804,456	6,195,909	-	-	30,053	24,030,418				
Grants, donations and other	1,416,001	193,596	-	-	2,259,877	3,869,474				
TOTAL REVENUES	175,243,196	31,145,232	14,875,813	1,903,428	40,543,237	263,710,906				
EXPENDITURES:										
Current:										
General government	23,942,663	-	9,514,320	285,354	2,104,754	35,847,091				
Public safety and judicial	89,374,772	-	-	-	101,215	89,475,987				
Community service	14,034,935	-	-	-	647,902	14,682,837				
Culture and recreation	36,593,195	-	-	-	-	36,593,195				
Roads and bridges	379,061	15,532,633	-	-	-	15,911,694				
Debt service	12,500	-	-	-	11,114,888	11,127,388				
Capital outlay:										
General government	1,206,653	-	166,392	1,421,463	1,482,014	4,276,522				
Roads and bridges	-	13,058,615	-	-	-	13,058,615				
TOTAL EXPENDITURES	165,543,779	28,591,248	9,680,712	1,706,817	15,450,773	220,973,329				
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES										
	9,699,417	2,553,984	5,195,101	196,611	25,092,464	42,737,577				
OTHER FINANCING SOURCES (USES):										
Proceeds from sale of capital assets	10,577	94,637	31,375	-	-	136,589				
Transfers in	11,756,985	500,000	-	5,000,000	5,625,000	22,881,985				
Transfers out	(64,958)	(960,349)	(6,260,812)	-	(14,974,323)	(22,260,442)				
Reclassified land held for resale	-	-	-	-	(1,105,911)	(1,105,911)				
TOTAL OTHER FINANCING SOURCES (USES)	11,702,604	(365,712)	(6,229,437)	5,000,000	(10,455,234)	(347,779)				
NET CHANGE IN FUND BALANCES	21,402,021	2,188,272	(1,034,336)	5,196,611	14,637,230	42,389,798				
FUND BALANCE - beginning	52,575,547	72,701,881	59,706,772	148,523,321	50,144,624	383,652,145				
FUND BALANCE - ending	\$ 73,977,568	\$ 74,890,153	\$ 58,672,436	\$ 153,719,932	\$ 64,781,854	\$ 426,041,943				

* HEDC - Hillsboro Economic Development Council

See notes to basic financial statements.

CITY OF HILLSBORO, OREGON

**RECONCILIATION OF STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL
FUNDS TO STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2025

NET CHANGE IN FUND BALANCES	\$ 42,389,798
Governmental funds report capital outlay 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. This is the amount by which depreciation exceeded capital outlay.	
Capital asset additions - purchased	\$ 13,296,436
Capital asset additions - contributed/dedicated	45,507,476
Capital asset disposition	(194,210)
Depreciation	<u>(8,594,662)</u>
	50,015,040
Governmental funds report lease financing as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as amortization expense. This is the amount by which amortization exceeded lease financing.	
Amortization	(11,105)
Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Activities, property taxes are recognized as revenue when levied.	169,489
South Hillsboro Local Improvement District assessments that do not meet the measurable and available criteria are not recognized as revenues in the governmental funds, but in the Statement of Activities, they are recognized upon being assessed.	(1,088,261)
System development charges and other amounts that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Activities, these are recognized as revenue when assessed.	(819,593)
Principal payments on long-term receivables that are received in the governmental funds are recognized as revenue when received. In the Statement of Activities, principal payments do not have any effect on net position.	(30,053)
Compensated absences are recognized as an expenditure in the governmental funds when they are paid. In the Statement of Activities, compensated absences are recognized as an expense when earned.	(847,020)
Other post-employment benefits are recognized as an expenditure in the governmental funds when they are paid. In the Statement of Activities other post-employment benefits are recognized as an expense when earned.	166,601
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.	1,737,887

See notes to basic financial statements.

CITY OF HILLSBORO, OREGON

**RECONCILIATION OF STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL
FUNDS TO STATEMENT OF ACTIVITIES - Continued**

YEAR ENDED JUNE 30, 2025

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. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Notes payable principal repayment	\$ 2,689,000
Bonds payable principal repayment	1,885,000
Amortization of bond insurance prepaid asset	(104,217)
Lease financing principal repayment/termination	<u>96,010</u>

4,565,793

Internal service funds are used by management to charge the costs of insurance, risk management, facilities management, dispatch and other services to individual funds. The change in net position of internal service funds is reported as a governmental activity.

87,472,750

Some expenses related to pension expense reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

(3,737,355)**CHANGE IN NET POSITION**\$ 179,983,971

See notes to basic financial statements.

CITY OF HILLSBORO, OREGON

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2025

	Business-Type Activities - Enterprise Funds				Governmental Type Activity	
	Utilities Commission Fund	Sewer Fund	Surface Water Management Fund	Non-major Funds		
	Total		Total			
ASSETS:						
Current assets:						
Cash and cash equivalents	\$ 9,617,094	\$ 2,821,384	\$ 1,539,253	\$ 296,941	\$ 14,274,672	\$ 4,804,894
Investments	140,096,711	41,097,158	22,418,592	4,324,489	207,936,950	69,999,529
Accounts receivable	9,279,941	9,306,245	2,035,026	388,511	21,009,723	861,618
Lease receivable, current portion	-	-	-	144,666	144,666	76,415
Land held for resale	-	-	-	-	-	5,072,538
TOTAL CURRENT ASSETS	158,993,746	53,224,787	25,992,871	5,154,607	243,366,011	80,814,994
Noncurrent assets:						
Net OPEB asset	273,248	63,545	92,556	23,255	452,604	490,102
Note receivable	-	-	-	-	-	8,000,000
Investment in joint ventures	493,660,564	-	-	-	493,660,564	-
Lease receivable	-	-	-	548,941	548,941	4,152,817
Capital assets not being depreciated	33,191,528	10,242,724	23,239,599	3,614,441	70,288,292	125,936,671
Capital assets, net	116,930,144	79,360,844	70,751,762	41,539,684	308,582,434	138,414,142
TOTAL NONCURRENT ASSETS	644,055,484	89,667,113	94,083,917	45,726,321	873,532,835	276,993,732
TOTAL ASSETS	803,049,230	142,891,900	120,076,788	50,880,928	1,116,898,846	357,808,726
DEFERRED OUTFLOWS OF RESOURCES:						
Deferred pension differences	6,122,431	1,480,941	1,984,093	478,603	10,066,068	11,722,776
Deferred OPEB difference	256,646	59,683	86,931	21,843	425,103	460,322
Deferred charges on refunding	-	-	-	-	-	665,856
TOTAL DEFERRED OUTFLOWS OF RESOURCES	6,379,077	1,540,624	2,071,024	500,446	10,491,171	12,848,954

See notes to basic financial statements.

CITY OF HILLSBORO, OREGON

PROPRIETARY FUNDS

STATEMENT OF NET POSITION - Continued

JUNE 30, 2025

	Business-Type Activities - Enterprise Funds				Governmental Type Activity
	Utilities	Sewer	Surface Water	Non-major	
	Commission Fund	Fund	Management Fund	Funds	
LIABILITIES:					
Current liabilities:					
Accounts payable	\$ 13,746,558	\$ 6,048,881	\$ 834,936	\$ 385,241	
Accrued payroll payable	353,000	88,000	112,000	23,000	\$ 21,015,616
Compensated absences payable	518,460	123,017	145,854	41,941	576,000
Worker's compensation claims payable	-	-	-	-	829,272
Interest payable	7,859,860	-	-	-	-
Deposits payable	801,700	1,882	73,273	-	7,859,860
Interfund payable, current portion	-	-	-	-	183,096
Bonds payable, current portion, net	77,751	-	-	-	876,855
Lease and SBITA payable, current portion	-	-	-	-	-
TOTAL CURRENT LIABILITIES	23,357,329	6,261,780	1,166,063	450,182	31,235,354
Long-term liabilities:					
Net pension liability	12,369,999	2,992,152	4,008,741	966,988	20,337,880
Compensated absences payable	849,645	182,366	221,217	70,506	1,323,734
Other post-employment benefits payable	1,141,440	265,445	386,632	97,144	1,890,661
Interfund payable	-	-	-	-	-
Bonds payable, net	300,516,668	-	-	-	300,516,668
Lease and SBITA payable	-	-	-	-	-
TOTAL LONG-TERM LIABILITIES	314,877,752	3,439,963	4,616,590	1,134,638	324,068,943
TOTAL LIABILITIES	338,235,081	9,701,743	5,782,653	1,584,820	355,304,297
DEFERRED INFLOWS OF RESOURCES:					
Deferred pension differences, net	1,270,786	307,387	411,823	99,341	2,089,337
Deferred OPEB differences	343,975	79,993	116,513	29,275	569,756
Deferred lease resources	-	-	-	693,607	616,966
TOTAL DEFERRED INFLOWS OF RESOURCES	1,614,761	387,380	528,336	822,223	693,607
NET POSITION:					4,229,232
Net investment in capital assets	100,050,638	89,603,568	93,991,361	45,154,125	
Restricted for systems development	3,696,471	2,352,724	1,017,643	-	328,799,692
Restricted for OPEB Asset	273,248	63,545	92,556	23,255	7,066,838
Unrestricted	365,558,108	42,323,564	20,735,263	3,796,951	452,604
TOTAL NET POSITION	\$ 469,578,465	\$ 134,343,401	\$ 115,836,823	\$ 48,974,331	432,413,886

See notes to basic financial statements.

CITY OF HILLSBORO, OREGON

PROPRIETARY FUNDS

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION**

YEAR ENDED JUNE 30, 2025

	Business-Type Activities - Enterprise Funds					Governmental Type Activity
	Utilities Commission Fund	Sewer Fund	Surface Water Management Fund	Non-major Funds	Total	
OPERATING REVENUES:						
Charges for services, net of allowance for doubtful accounts	\$ 56,282,678	\$ 11,834,079	\$ 14,163,260	\$ 1,248,288	\$ 83,528,305	\$ 53,955,130
Installation and connection fees	8,279,406	688,416	1,582,848	-	10,550,670	-
Leasehold revenues	-	-	-	246,777	246,777	-
Other	1,781,957	4,101,304	66,464	657,797	6,607,522	33,458,248
TOTAL OPERATING REVENUES	66,344,041	16,623,799	15,812,572	2,152,862	100,933,274	87,413,378
OPERATING EXPENSES:						
Salaries and fringe benefits	11,893,158	3,904,491	5,490,266	1,193,536	22,481,451	32,266,870
Operating supplies	1,552,653	44,908	59,439	136,814	1,793,814	4,100,887
Repairs and maintenance	221,444	418,421	732,321	599,626	1,971,812	5,374,204
Rental expense	-	-	-	-	-	51,447
Water purchases	6,670,647	-	-	-	6,670,647	-
Utilities	281,462	22,603	25,541	109,889	439,495	3,016,507
Insurance	414,200	123,203	122,212	35,012	694,627	3,020,039
Claims expense	-	-	-	-	-	934,467
Franchise fees	1,914,084	1,359,749	590,163	-	3,863,996	-
Fees and assessments	293,328	26,044	32,521	779	352,672	464,819
Contractual services	985,886	631,972	401,497	445,526	2,464,881	3,425,955
Depreciation and amortization	4,347,972	1,949,221	2,315,809	2,169,518	10,782,520	11,029,760
Support services	3,995,707	2,691,418	2,600,568	361,911	9,649,604	-
Other	10,028	33	1,559	120,036	131,656	2,345,118
TOTAL OPERATING EXPENSES	32,580,569	11,172,063	12,371,896	5,172,647	61,297,175	66,030,073
OPERATING INCOME (LOSS)	33,763,472	5,451,736	3,440,676	(3,019,785)	39,636,099	21,383,305
NONOPERATING INCOME (EXPENSE):						
Interest and investments income	9,124,371	2,378,696	1,178,688	62,282	12,744,037	4,250,102
Gain (loss) on disposal of capital assets	67,140	20,537	48,799	-	136,476	1,496,806
Equity in net loss of joint ventures	(2,537,199)	-	-	-	(2,537,199)	-
Interest expense	(5,057,766)	-	-	-	(5,057,766)	(1,751,928)
Strategic investment program	-	-	-	-	-	36,085,319
TOTAL NONOPERATING INCOME (EXPENSE)	1,596,546	2,399,233	1,227,487	62,282	5,285,548	40,080,299
NET INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	35,360,018	7,850,969	4,668,163	(2,957,503)	44,921,647	61,463,604
TRANSFERS IN TRANSFERS OUT	-	(270,271)	(249,910)	(570,551)	-	5,715,829
TRANSFERS, NET	(270,271)	(249,910)	(570,551)	5,638,476	4,547,744	(5,169,287)
CONTRIBUTION OF CAPITAL ASSETS	3,599,456	5,077,067	7,004,100	-	15,680,623	31,178,433
CHANGE IN NET POSITION	38,689,203	12,678,126	11,101,712	2,680,973	65,150,014	87,472,750
NET POSITION - beginning as previously reported	431,085,811	121,724,314	104,810,979	46,321,914	703,943,018	172,443,561
EFFECT OF CHANGE FROM IMPLEMENTATION OF GASB 100	(196,549)	(59,039)	(75,868)	(28,556)	(360,012)	(779,242)
NET POSITION - beginning	430,889,262	121,665,275	104,735,111	46,293,358	703,583,006	171,664,319
NET POSITION - ending	\$ 469,578,465	\$ 134,343,401	\$ 115,836,823	\$ 48,974,331	\$ 768,733,020	\$ 259,137,069

See notes to basic financial statements.

CITY OF HILLSBORO, OREGON

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2025

	Business-Type Activities - Enterprise Funds					Governmental Type Activity
	Utilities Commission Fund	Sewer Fund	Surface Water Management Fund	Non-major Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received for services	\$ 67,520,016	\$ 16,548,470	\$ 15,590,007	\$ 1,966,137	\$ 101,624,630	\$ 79,351,543
Cash paid to suppliers for goods and services	(13,270,670)	(3,952,627)	(3,897,106)	(2,246,182)	(23,366,585)	(21,848,121)
Cash paid to employees for services	(10,611,311)	(3,561,066)	(5,091,180)	(1,169,753)	(20,433,310)	(30,197,001)
Franchise fees	(1,914,084)	(1,359,749)	(590,163)	-	(3,863,996)	-
Collections on behalf of Clean Water Services	-	35,994,360	2,929,776	-	38,924,136	-
Payments to Clean Water Services	-	(35,310,880)	(2,889,550)	-	(38,200,430)	-
NET CASH FROM OPERATING ACTIVITIES	41,723,951	8,358,508	6,051,784	(1,449,798)	54,684,445	27,306,421
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfers from other funds	-	-	-	-	5,715,829	5,715,829
Transfers to other funds	(270,271)	(249,910)	(570,551)	(77,353)	(1,168,085)	(15,763,533)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	(270,271)	(249,910)	(570,551)	5,638,476	4,547,744	(5,169,287)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition of capital assets, net of related accounts payable	(4,487,128)	(6,156,060)	(1,461,691)	(3,256,556)	(15,361,435)	(62,146,465)
Proceeds from interfund note	-	-	-	-	-	1,500,000
Proceeds from sale of capital assets	67,140	20,537	48,799	-	-	136,476
Principal payments on bonds	-	-	-	-	-	(4,760,000)
Principal payments on interfund loan	-	-	-	-	-	(12,810,000)
Principal payment on leases and SBITA	-	-	-	-	-	(1,087,557)
Interest payments on bonds and leases and SBITA	(1,662,098)	-	-	-	(1,662,098)	(2,002,399)
Strategic investment program receipts	-	-	-	-	-	36,085,319
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(6,082,086)	(6,135,523)	(1,412,892)	(3,256,556)	(16,887,057)	(45,072,032)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest and investment earnings	9,124,371	2,378,696	1,178,688	85,440	12,767,195	4,293,281
Contributions to joint ventures, net of related accounts payable	(84,360,331)	-	-	-	(84,360,331)	-
NET CASH FROM INVESTING ACTIVITIES	(75,235,960)	2,378,696	1,178,688	85,440	(71,593,136)	23,242,330
NET CHANGE IN CASH, CASH EQUIVALENTS AND INVESTMENTS						
Cash, cash equivalents and investments - beginning	(39,864,366)	4,351,771	5,247,029	1,017,562	(29,248,004)	307,432
Cash, cash equivalents and investments - ending	189,578,171	39,566,771	18,710,816	3,603,868	251,459,626	74,496,991
CASH, CASH EQUIVALENTS AND INVESTMENTS - ending	\$ 149,713,805	\$ 43,918,542	\$ 23,957,845	\$ 4,621,430	\$ 222,211,622	\$ 74,804,423

See notes to basic financial statements.

CITY OF HILLSBORO, OREGON

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS (Continued)

YEAR ENDED JUNE 30, 2025

Business-Type Activities - Enterprise Funds							Governmental Type Activity
	Utilities Commission Fund	Sewer Fund	Surface Water Management Fund	Non-major Funds	Total	Internal Service Funds	
RECONCILIATION TO STATEMENT OF NET POSITION							
Cash and cash equivalents	\$ 9,617,094	\$ 2,821,384	\$ 1,539,253	\$ 296,941	\$ 14,274,672	\$ 4,804,894	
Investments	140,096,711	41,097,158	22,418,592	4,324,489	207,936,950	69,999,529	
	\$ 149,713,805	\$ 43,918,542	\$ 23,957,845	\$ 4,621,430	\$ 222,211,622	\$ 74,804,423	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED FROM OPERATING ACTIVITIES							
Operating income (loss)	\$ 33,763,472	\$ 5,451,736	\$ 3,440,676	\$ (3,019,785)	\$ 39,636,099	\$ 21,383,305	
Adjustments to reconcile operating income (loss) to net cash from operating activities:							
Depreciation and amortization	4,347,972	1,949,221	2,315,809	2,169,518	10,782,520	11,029,760	
Collections received for Clean Water Services	-	35,994,360	2,929,776	-	38,924,136	-	
Remittances of collections to Clean Water Services	-	(35,310,880)	(2,889,550)	-	(38,200,430)	-	
Change in assets and liabilities:							
Receivables	393,995	(63,711)	(229,118)	(186,725)	(85,559)	(61,835)	
Note Receivable	-	-	-	-	-	(8,000,000)	
Accounts payable, net of capital and investing related accounts payable	1,154,685	5,975	78,552	(436,589)	802,623	756,322	
Deposits payable	781,980	(11,618)	6,553	-	776,915	-	
Accrued payroll payable	53,000	20,000	21,000	(2,000)	92,000	94,000	
Pension system	677,703	282,560	339,687	27,221	1,327,171	1,466,362	
Worker's compensation claims payable	-	-	-	-	-	129,000	
Compensated absences payable	490,045	36,944	40,191	3,140	570,320	495,379	
Other post-employment benefits system	61,099	3,921	(1,792)	(4,578)	58,650	14,128	
Total adjustments	7,960,479	2,906,772	2,611,108	1,569,987	15,048,346	5,923,116	
NET CASH FROM OPERATING ACTIVITIES							
	\$ 41,723,951	\$ 8,358,508	\$ 6,051,784	\$ (1,449,798)	\$ 54,684,445	\$ 27,306,421	

See notes to basic financial statements.

CITY OF HILLSBORO, OREGON

FIDUCIARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2025

	Private Purpose Trust Fund	Custodial Funds
ASSETS		
Cash and cash equivalents	\$ 10,670	\$ 981,045
Interest receivable	66	6,011
	10,736	987,056
TOTAL ASSETS		
LIABILITIES		
Accounts payable	-	8,555
	-	8,555
TOTAL LIABILITIES		
NET POSITION		
Restricted for:		
Organizations	10,736	978,501
	\$ 10,736	\$ 978,501

See notes to basic financial statements.

Contribution of capital assets	\$ 3,599,456	\$ 5,077,067	\$ 7,004,100	\$ -	\$ 15,680,623	\$ 31,178,433
Gain (loss) on disposal of capital assets	67,140	20,537	48,799	-	136,476	1,496,806
Equity in net loss of joint ventures	(2,537,199)	-	-	-	(2,537,199)	-
Acquisition of lease asset	-	-	-	-	-	483,028
Acquisition of lease financing	-	-	-	-	-	(483,028)
Issuance of note receivable	-	-	-	-	-	8,000,000

CITY OF HILLSBORO, OREGON

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2025

ADDITIONS:

Contributions:

Other governments and organizations

	Private Purpose Trust Fund	Custodial Funds
--	----------------------------------	--------------------

\$	-	\$ 500,124
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Total contributions

	-	500,124
--	---	---------

Investment earnings:

Interest

428		39,226
-----	--	--------

Net investment earnings

428		39,226
-----	--	--------

Total additions

428		539,350
-----	--	---------

DEDUCTIONS:

Recipient payments

	-	765,647
--	---	---------

Total deductions

	-	765,647
--	---	---------

Net increase (decrease) in fiduciary net position

428		(226,297)
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NET POSITION - beginning

10,308		1,204,798
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NET POSITION - ending

\$ 10,736		\$ 978,501
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NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF HILLSBORO, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Hillsboro, Oregon (the City) operates under an amended charter adopted by the voters in 1976. The Board of Councilors, composed of the Mayor and six council members, comprises the legislative branch of the government. Individual departments are under the direction of the City Manager who is appointed by the Councilors.

The City provides a full range of municipal services to the community, which include police and fire protection, traffic control and improvement, street maintenance and improvement, water, sewer and surface water management services, broadband internet and commercial phone services, planning and zoning regulation, building inspection and regulation, parks and recreation services, and community library services.

As required by accounting principles generally accepted in the United States of America (GAAP), these basic financial statements present the City and Hillsboro Economic Development Council (HEDC), a blended component unit, an entity for which the City is considered to be financially accountable.

HEDC was organized to assist in the redevelopment of targeted areas of the City through tax increment financing. The Board of Councilors is the Board of Directors of HEDC. HEDC's Chair is elected by its Board. Complete financial statements for HEDC may be obtained at the City's administrative offices, City Hall, 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 City and its blended component unit. These statements include the financial activities of the overall City, except fiduciary activities. Eliminations have been made to minimize the double counting of internal activities; however, in the government-wide Statement of Activities, interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the governmental and business-type activities of the City. Governmental activities are financed through charges for services, property taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each activity of its governmental and business programs, including its blended component unit. Direct expenses are those that are specifically associated with an activity and, therefore, are clearly identifiable to that activity. Indirect expense allocations are included as part of program expenses in the Statement of Activities. Program revenues include fees, fines, and charges paid by the recipients of goods or services and grants and contributions that are restricted to meeting operational or capital requirements. Revenues that are not classified as program revenues, including property taxes and interest earnings, are presented as general revenues. Generally, the effect of interfund activity such as transfers is eliminated. Net position is reported as restricted when constraints placed on its use are either externally restricted, imposed by creditors, grantors, contributors or laws, or through constitutional provisions or enabling resolutions.

CITY OF HILLSBORO, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category - governmental and proprietary - are presented. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds are aggregated and reported as nonmajor funds.

The City reports the following major funds:

Governmental

General Fund - This is the City's primary operating fund. It accounts for all revenues and expenditures, except those required to be accounted for in another fund.

Transportation Fund - This special revenue fund accounts for the expenditures of gasoline tax revenue received under the provisions of Article IX, Section 3 of the Constitution of the State of Oregon, transportation development tax, vehicle registration fees, transportation utility fees, and system development charges. These resources are restricted for use in the construction and maintenance of the City's streets, roads and related infrastructure.

Building Fund - This special revenue fund accounts for revenues and expenditures related to providing building permit and inspection services. This fund is not qualified as a major fund by quantitative measure, but by qualitative measures. Historically, it has been a major fund quantitatively, and will likely meet quantitative measures again in the near future. Identifying it as a major fund will provide consistency to the reader year over year.

Hillsboro Economic Development Council North Hillsboro Industrial Fund - This capital projects fund accounts for the purchase and sale of land, and the construction of infrastructure and other assets in the north industrial area of the City. The major financing sources are transfers from the Tax Increment Fund, bond proceeds, development fees, intergovernmental and interest earnings.

Proprietary (Enterprise)

Utilities Commission Fund - This fund accounts for the operation and maintenance of water service and distribution facilities.

Sewer Fund - This fund accounts for the operation and maintenance of the sewer service and collection system.

Surface Water Management Fund - This fund accounts for the operation and maintenance of the surface water system.

Nonmajor

The City also reports the following nonmajor fund types:

CITY OF HILLSBORO, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements (Continued)

Special Revenue Funds - These funds account for revenues and expenditures related to those required to be accounted for in another fund including police forfeiture funds, cadet funds, parks mitigation funds, parks SDC fund, parks supplemental SDC fund and Community Development Block Grant fund.

Debt Service Funds - These funds account for the accumulation of resources for the payment of tax increment bond principal and interest, and the revenue collection and payment of principal and interest for the South Hillsboro Local Improvement District.

Capital Projects Funds – These funds account for the acquisition and construction of capital facilities other than those financed by Proprietary Funds.

Enterprise Funds – These funds account for revenues and operating costs for off-street parking facilities and other properties, for revenues and expenses related to the maintenance of the intermodal transit facility, and for revenues and expenses related to the maintenance and operation of the City's broadband internet and commercial phone services.

Internal Service Funds – These funds account for fleet maintenance and motor vehicle use of the City, workers' compensation, maintenance and improvement of City facilities, and certain administrative services provided to various City departments.

Fiduciary Funds – One fund is a private purpose trust fund and is used to account for endowments and related interest income. The income of the trust is used to maintain the Pioneer Cemetery. The other funds are custodial funds, used to account for assets held by the City as an agent for the following: the Broadband User Group and the Portland Users Group.

Measurement Focus and Basis of Accounting

Government-wide and proprietary fund financial statements are reported 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 City receives value without giving equal value in exchange, include property taxes, grants, entitlements and contributions. On the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and contributions is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Under terms of grant agreements, the City funds certain programs with a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

CITY OF HILLSBORO, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year end. Property taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, long-term leases and claims and judgments, which are recognized as expenditures to the extent they have matured, compensated absences and other postemployment benefits. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general-long term debt and acquisitions under capital leases are reported as other financing sources.

The proprietary fund types distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the funds' ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses include the costs of sales and services, administrative expenses, and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary funds use the accrual accounting method and the economic resource measurement focus for the Private Purpose Trust fund and custodial funds.

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 expenditures/expenses during the reporting period. Actual results may differ from those estimates.

Cash, Cash Equivalents, and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments consist of the Oregon State Treasurer's Local Government Investment Pool (LGIP), U.S. Government obligations and corporate bonds. Investments in the LGIP are stated at cost, which approximates fair value and its share value. All other investments are stated at fair value. The individual funds' and blended component unit's portion of the pool's fair value are presented as "Cash and Cash Equivalents" in the basic financial statements.

The LGIP is administered by the Oregon State Treasury. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the State who by law is made the custodian of, or has control of, any public funds. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short-Term Fund Board which is not registered with the U.S. Securities and Exchange Commission as an investment company. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP.

CITY OF HILLSBORO, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, Cash Equivalents, and Investments (Continued)

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model derived valuations in which all significant inputs are observable. Level 3 inputs are significant unobservable inputs.

Receivables

Real and personal property taxes are levied and assessed and become a lien against the property as of July 1 each year. Property taxes are payable in three installments, following the lien date, on November 15, February 15, and May 15. Discounts are allowed if the amount is paid by November 15 or February 15. Taxes unpaid and outstanding on May 15 are considered delinquent.

All accounts, property taxes, assessments, grants and contracts receivable are shown net of an allowance for uncollectible accounts.

Lease Receivables

Lease receivables are recognized at the net present value of the leased assets at a borrowing rate either explicitly described in the agreement or implicitly determined by the City, reduced by principal payments received.

Investments in Joint Ventures

Investments in joint ventures with other governments are reported at cost plus or minus the City's share of operating income or loss (equity method).

Land Held for Resale

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

Capital Assets

Purchased or constructed capital assets are recorded at actual or estimated historical cost with subsequent additions at cost. Contributed capital assets are recorded at their estimated acquisition value at the time of contribution. Infrastructure (bridges, roads, and drainage systems) acquired during the year have been recorded at cost or estimated acquisition value if contributed by developers. The City defines capital assets as assets with an initial cost of more than \$15,000 and an estimated life of more than one year. Land, rights of way, and easements with an initial cost of less than \$15,000 are also included as capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

CITY OF HILLSBORO, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Easements are recorded as capital assets at either the purchase price of the easement or by multiplying a set value by the area of the easement (square footage), if the easement was donated. Water rights are recorded at estimated market value determined by a third-party consultant upon acquisition. Water rights were converted from a cubic feet per second to acre feet per day and then multiplied by a per acre foot value. The consultants did an analysis of market values for water rights in northwest Oregon.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and structures	10 to 33
Machinery, equipment, and transmission	4 to 33
Treatment facilities	75
Dams and reservoirs	50
Infrastructure	20 to 50
Temporary easements	15

Lease assets and Subscription-Based Information Technology Arrangements (SBITA) are assets and right-to-use intangibles which the City leases for a term of more than one year, and with a net present value of at least \$300,000 at the beginning of the agreement term. The value of these agreements is determined by the net present value at the City's incremental borrowing rate at the time of the agreement, amortized using the straight-line method over the term of the agreement.

Net Other Post-Employment Benefits and Obligations

Net other post-employment benefits and obligations are calculated as a long-term asset or long-term liability in the government-wide financial statements and in the proprietary fund statements, the amount of which is actuarially determined.

Deferred Outflows/Inflows of Resources

The Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represent a consumption of net assets that applies to future periods and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. Included in this category, the City has the deferred charge on refunding of debt reported in the government-wide Statement of Net Position and deferred outflows related to pensions and other post-employment benefits (further discussion follows). A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represent an acquisition of net assets that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. Included in this category, the City has deferred pension and OPEB differences, and deferred lease resources.

CITY OF HILLSBORO, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources (Continued)

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS.

Pension Plan

Substantially all of the City's employees are participants in the OPERS, a statewide cost-sharing multi-employer defined benefit pension plan. Contributions to OPERS are made on a current basis as required by the plan.

The City reports its proportionate share of the Net Pension Liability of the Oregon Public Employees Retirement System. For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, pension expense, information about the fiduciary net position of OPERS and the additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. Investments are reported at fair value by OPERS.

Compensated Absences

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee) during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences – vacation and sick leave. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee separations. The liability for compensated absences includes salary-related benefits, where applicable.

For vacation leave, the City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment at the employee's current pay rate upon separation from employment. For sick leave, the City's policy permits employees to accumulate earned but unused sick leave. All sick leave lapses when employees leave the employ of the City, and upon separation from service, no monetary obligation exists. However, a liability for estimated value of sick leave that will be used by employees as time off is included in the liability for compensated absences.

Long-term Debt

In the government-wide financial statements, long-term debt is reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. In the governmental fund financial statements bond premiums and discounts are recognized when incurred and not deferred. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether netted against proceeds or paid directly, are recorded as debt service expenditures.

CITY OF HILLSBORO, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases and SBITA Payable

In the government-wide financial statements, leases and SBITA payable are reported as liabilities in the Statement of Net Position. In the governmental fund financial statements, the present value of lease and SBITA payments are reported as other financing sources.

Net Position

In the statement of net position, equity is referred to as net position and is segregated into the following components: 1) net investment in capital assets, 2) restricted for specific use, and 3) unrestricted. It is the City's policy to deplete, when available, restricted revenues/net position first before unrestricted net position is depleted.

Fund Equity

Fund balance is 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 Council.
- Assigned – Includes items assigned by specific uses. The Council, by formal resolution, has authorized the City of Hillsboro's City Manager and/or Chief Financial Officer (CFO) to make assignments at their discretion.
- Unassigned – This is the residual classification within the General Fund used for those balances not assigned to another category. Deficit balances in other governmental funds are also reported as unassigned.

The City itself can establish limitations requiring the use of resources for specific purposes. The City can establish limitations on the use of resources through either a commitment or an assignment. Council, which is the highest level of decision-making authority, approved action to authorize, modify or rescind commitments of fund balance through formal resolution. Council has authorized the City of Hillsboro City Manager and/or CFO 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 Council for use in the following order:

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

CITY OF HILLSBORO, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements and Accounting Standards

During the fiscal year ended June 30, 2025, the City implemented the following new GASB pronouncements:

GASB Statement No. 101, Compensated Absences

The objective of this statement is to update the recognition and measurement guidance for compensated absences under a unified model and amend certain previously required disclosures. The implementation of this statement requires a change in accounting principle and is described further in Note 20.

GASB Statement No. 102, Certain Risk Disclosures

The objective of this statement is to provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. The City has evaluated this statement and has determined that no immediate disclosure is required for this first year of implementation.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

The City maintains a common cash and investment pool for all city funds. The types of investments in which the City may invest are restricted by State of Oregon statutes and a Council adopted investment policy. Authorized investments include U.S. Treasury obligations including treasury notes, bonds and strips; federal instrumentality securities from specific federal agencies; commercial paper rated at least A-1 or an equivalent rating; domestic and foreign corporate bonds rated at least Aa or an equivalent rating; bankers acceptances rated at least Aa or an equivalent rating; the Oregon State Treasurer's Local Government Investment Pool (an unrated pool) limited by state statute; certificates of deposits; repurchase agreements and obligations of the states of Oregon, California, Idaho and Washington rated AA or better.

At June 30, 2025, the City's cash, cash equivalents and investments were comprised of the following including the maturity by investment type:

	Fair Value Measurement					Weighted Average Maturity (Years)
	N/A	Level 1	Level 2	Total		
Cash on hand	\$ 18,237	\$ -	\$ -	\$ 18,237		-
Deposits with financial institutions	\$ 3,784,225	\$ -	\$ -	\$ 3,784,225		-
Investments:						
Oregon State Treasurer's Local Government Investment Pool	57,264,150	-	-	57,264,150		-
U.S. and U.S. agency obligations	-	256,862,905	193,884,340	450,747,245	1.98	
Municipal Issues	-	-	3,014,180	3,014,180	2.88	
Corporate Bonds	-	-	50,021,950	50,021,950	1.16	
Foreign Issues	-	-	10,187,839	10,187,839	1.16	
Total pooled cash and investments	<u>\$ 61,066,612</u>	<u>\$ 256,862,905</u>	<u>\$ 257,108,309</u>	<u>\$ 575,037,826</u>		1.65

CITY OF HILLSBORO, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2025

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Cash, cash equivalents and investments are reflected on the basic financial statements as follows:

	Governmental Activities	Business-Type Activities	Fiduciary Activities	Total
Cash and cash equivalents	\$ 45,800,225	\$ 14,274,672	\$ 991,715	\$ 61,066,612
Investments	306,034,264	207,936,950	-	513,971,214
Totals	<u>\$ 351,834,489</u>	<u>\$ 222,211,622</u>	<u>\$ 991,715</u>	<u>\$ 575,037,826</u>

Deposits with financial Institutions

The City's deposits with financial institutions are insured up to levels defined by Federal laws by the Federal Depository Insurance Corporation (FDIC). To provide additional security required and authorized by Oregon Revised Statutes (ORS), Chapter 295, deposits above insurance limits are covered by collateral held in a multiple financial institution collateral pool administered by the State of Oregon. As of June 30, 2025, bank balances of \$7,554,309 were fully covered by the FDIC or the State of Oregon collateral pool.

Interest Rate Risk

As a means to limit exposure to fair value loss arising from changes in interest rates and to allow investment maturities to coincide with projected cash needs, the City's investment policy does not allow investment maturities greater than five years and three months. Investment maturity guidelines and actual maturities for the City's investments are as follows:

Maturity	Maturity Guidelines	Actual at June 30, 2025
Less than 30 days	10 %	25 %
Less than 1 year	25	43
Less than 5.25 years	100	100

Fifty percent of the Oregon Local Government Investment Pool (LGIP) must mature within 93 days. Up to 25% of the LGIP portfolio may mature in over one year and no investment may mature in over three years.

Credit Risk

The City's investment policy limits ownership in commercial paper and corporate indebtedness to 35% of the portfolio at any one time. The City's policy allows 100% US Treasury or Agency securities. The policy limits ownership in commercial paper and corporate indebtedness to those rated at AA- or higher by Standards & Poor's.

The Oregon State Treasurer's Local Government Investment Pool, and short-term U.S. and U.S. Agency Bonds are unrated. Other investments held at June 30, 2025, are categorized as follows:

CITY OF HILLSBORO, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2025

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Credit Risk (Continued)

Rating by Standard & Poor's	U.S. and U.S. Agency Obligations	Municipal Issues	Corporate Bonds	Foreign Issues	Total
AA+	\$ 164,030,705	\$ -	\$ 9,911,550	\$ -	\$ 173,942,255
AA	-	-	10,074,800	-	10,074,800
AA-	-	3,014,180	-	-	3,014,180
A+	-	-	15,151,300	-	15,151,300
A	-	-	9,871,000	10,187,839	20,058,839
A-	-	-	5,013,300	-	5,013,300
Unrated (Moody's Aaa Rating)	227,268,100	-	-	-	227,268,100
Unrated	59,448,440	-	-	-	59,448,440
Total	\$ 450,747,245	\$ 3,014,180	\$ 50,021,950	\$ 10,187,839	\$ 513,971,214

Custodial Credit Risk

At June 30, 2025, the City had no investments exposed to custodial credit risk.

3. ACCOUNTS RECEIVABLE

As of June 30, 2025, accounts receivable consisted of and are reflected in the basic financial statements as follows:

Property and other taxes	\$ 3,005,888		
Accounts and grants	32,925,562		
Local improvement district	9,520,770		
Assessments	777,488		
Interest	3,515,221	Accounts receivable - governmental activities	\$ 25,258,782
Total	49,744,929	Accounts receivable - business-type activities	21,009,723
Allowance for uncollectible accounts	(3,470,347)	Statement of Fiduciary Net Position	6,077
Net Accounts Receivable	\$ 46,274,582		\$ 46,274,582

Local improvement district receivable represents uncollected amounts levied against benefited properties for the cost of local improvements and are considered to be a lien on the property until paid. Substantially all assessments are collectible over a period of ten to twenty years and bear interest from 3.67% to 10.00%.

Assessments receivable include financed system development charges (SDCs) due over a period of up to ten years bearing interest at the 10-year Treasury bond rate plus 2% at the time of issuance.

The allowance for uncollectible accounts pertains to municipal court and transportation fee collections, which impacts the governmental activities, and utility billing collections, which impacts the business-type activities.

CITY OF HILLSBORO, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2025

4. NOTES RECEIVABLE

On July 9, 2015, the City 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% commenced 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. Options of forgivable principal are included in the note for timely payment, using amounts attributed towards interest. The outstanding principal balance of the note at June 30, 2025, is \$578,376, with a current portion due of \$30,355. Options of forgivable interest are included in the note based on certain conditions. The next eligible date for principal forgiveness is May 2028.

On August 8, 2024, a loan became effective between the City and Washington County for financial support of the construction of a new stadium, when the City disbursed funds towards the project. The loan is for \$8,000,000 and is due in full, on or before June 30, 2027. Interest does not accrue from inception to January 1, 2026. If the County has not repaid the loan by January 1, 2026, interest will accrue at 4% on any balance remaining. There is no penalty for pre-payment. The outstanding principal balance at June 30, 2025, is \$8,000,000, with a current portion due of \$0.

The maturity schedule for these two loans is as follows:

Fiscal Year	Principal	Interest
2026	\$ 30,355	\$ 5,645
2027	8,030,660	491,740
2028	31,468	5,032
2029	37,312	4,688
2030	37,687	4,313
2031-35	252,324	15,232
2036-38	158,570	1,901
	\$ 8,578,376	\$ 528,551

On March 3, 2022, the City issued a loan agreement with an affordable housing company using Metro Affordable Housing Funds under Ballot Measure 26-199. The loan is for \$16,940,731, and was converted from a construction loan to a permanent loan beginning May 1, 2025, interest accruing at 0.80%. On August 30, 2024, the City issued a loan agreement with a separate affordable housing company using Metro Affordable Housing Funds under Ballot Measure 26-199. This loan is for \$10,500,000, and converts from a construction loan to a permanent loan on June 30, 2027, at 0% interest. Both of these loans are cash flow share loans, in which the borrower will begin making repayment at one-half the excess cash flow until the loan is paid in full, or until maturity on May 1, 2077. At the City's discretion, these payments can be redirected to a reserve account for the project. Further, it is more likely than not that this loan will be restructured with a forgiveness provision or rolled into another 60-year loan. In evaluating this agreement, the City does not believe substantial repayment is likely. These notes are recorded with equally offsetting allowances. Any repayment of funds would be required to be used on further affordable housing projects or returned to Metro.

On July 19, 2022, the City issued a loan agreement with a nonprofit organization for the conveyance of land. The loan is for \$912,500, at no interest for a period of 60 years with a forgiveness provision. In evaluating this agreement, the City does not believe substantial repayment is likely. This note is recorded with an equally offsetting allowance.

CITY OF HILLSBORO, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2025

5. LEASE RECEIVABLES

	Original Amount	Outstanding June 30, 2024	Decrease	Outstanding June 30, 2025
Governmental Activities:				
Baseball Stadium Lease *; interest at 5.0%, total annual principal and interest ranges from \$150,000 to \$409,784, due 2049	\$ 3,633,799	\$ 3,832,504	\$ 7,761	\$ 3,824,743
Facility Lease, interest at 2.6%, monthly payments of principal and interest range from \$1,755 to \$1,790, due 2026	100,247	41,966	20,745	21,221
Cell Tower Lease; interest at 2.8%, principal and interest from \$3,551 to \$3,881 monthly, due 2026	155,520	74,826	44,108	30,718
Facility Lease; interest at 5.5%, principal and interest \$5,067 monthly, due 2033	467,351	421,917	38,649	383,268
	<u>\$ 4,356,917</u>	<u>\$ 4,371,213</u>	<u>\$ 111,263</u>	<u>\$ 4,259,950</u>
Business-type Activities:				
Facility Lease, interest at 4.77%, monthly payments of principal and interest of \$1,531 due 2027	177,730	47,259	16,473	30,786
Facility Lease, interest at 4.12%, monthly payments of principal and interest of \$1,965 due 2042	327,547	297,303	11,546	285,757
Facility Lease, interest at 3%, monthly payments of principal and interest of \$10,556 due 2029	577,305	489,064	112,000	377,064
	<u>\$ 1,082,582</u>	<u>\$ 833,626</u>	<u>\$ 140,019</u>	<u>\$ 693,607</u>

* The baseball stadium lease remains in effect until the completion of a new stadium, in which a new lease goes into effect. The replacement lease has no fixed rent, as all components are based on ticket sales and parking fees. The maximum term of the lease is 55 years after stadium completion, which is expected April 2026.

Future maturities are as follows:

Fiscal Year	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2026	\$ 107,133	\$ 215,396	\$ 144,666	\$ 23,954
2027	64,629	211,647	145,222	19,159
2028	74,759	207,981	135,893	14,780
2029	85,624	203,774	34,574	10,539
2030	97,265	198,991	14,666	9,335
2031-35	546,427	908,317	84,860	36,774
2036-40	735,632	756,963	105,713	17,231
2041-45	1,215,782	514,539	28,013	734
2046-49	1,332,699	142,462	-	-
	<u>\$ 4,259,950</u>	<u>\$ 3,360,070</u>	<u>\$ 693,607</u>	<u>\$ 132,506</u>

Deferred inflow of resources mirrors the principal payment maturities described above.

CITY OF HILLSBORO, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2025

6. LAND HELD FOR RESALE

A primary objective for the North Hillsboro Urban Renewal District is acquiring smaller parcels in this area to create large lot parcels for sale to attract industrial development in this area. Acquisitions in the Downtown Urban Renewal District have been made to secure space for revitalization activities. Land held for resale has also been acquired in the internal service funds for the Downtown Urban Renewal Area for similar purposes. The following table reflects the current year activities of the parcels of land held for resale within Governmental Activities:

Location	Parcel Count	Parcel	Balance	Recategorize to Capital Asset *	Balance June 30, 2025
		June 30, 2024	Increases		
North Hillsboro	28	\$ 147,179,010	\$ 1,482,004	\$ -	\$ 148,661,014
Downtown	2	6,178,449	-	1,105,911	5,072,538
		<u>\$ 153,357,459</u>	<u>\$ 1,482,004</u>	<u>\$ 1,105,911</u>	<u>\$ 153,733,552</u>

* During the current fiscal year, it was determined one parcel will remain with the City for the purpose of a widened alley to enhance downtown business access.

7. PUMPING STATION RIGHTS

The City has an agreement with the U.S. Department of Interior, Bureau of Reclamation, for pumping rights at Scoggins Dam. These rights are included within capital assets and amortized over 40 years.

8. JOINT VENTURES

The Hillsboro-Forest Grove-Beaverton-Tualatin Valley Water District Joint Water Commission (JWC) operates a joint water utility serving area residents. Revenues earned by the Commission are expended for the continued operation and maintenance of the facilities. The joint venture is comprised of the cities of Hillsboro (49.12%), Forest Grove (11.76%), Beaverton (22.06%), and the Tualatin Valley Water District (17.06%). The Commission is governed by three members from each venturer. The City's year-end equity investment in the Commission was \$62,651,272.

The Barney Reservoir Joint Ownership Commission (Barney) was formed to own, operate, and expand the J.W. Barney Reservoir. Ownership of the joint venture is comprised of the cities of Hillsboro (31%), Forest Grove (2.5%), and Beaverton (21.5%), Tualatin Valley Water District (35%), and Clean Water Services (10%). The Commission is governed by one member from each venturer. The City's year-end equity investment in the Commission was \$5,735,359.

Complete financial statements for the JWC and Barney Commissions may be obtained at the City's administrative offices, City Hall, 150 East Main Street, Hillsboro, Oregon, 97123.

The Willamette Intake Facilities Commission (WIF) was formed to own, manage, and operate the Willamette intake facilities which are used to withdraw and transmit water to the Commission members. The joint venture is comprised of the Tualatin Valley Water District (39.4%), cities of Hillsboro (24.1%), Wilsonville (16.7%), Tigard (10.0%), Sherwood (6.5%), and Beaverton (3.3%). The Commission is governed by one member of each venture. The City's year-end equity investment in the Commission was \$5,197,275.

CITY OF HILLSBORO, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2025

8. JOINT VENTURES (Continued)

The Willamette Water Supply System Commission (WWSS) was formed to own, manage, and operate the Willamette Water Supply System which includes a water treatment plant, raw and finished water pipelines, and reservoirs which are used to withdraw, treat, and transmit water to the Commission members. The joint venture is comprised of the Tualatin Valley Water District (58.92%), cities of Hillsboro (36.09%) and Beaverton (4.99%). The Commission is governed by one member of each venture. The City's year-end equity investment in the Commission was \$420,076,658.

Complete financial statements for the WIF and WWSS Commissions may be obtained at the Tualatin Valley Water District's administrative offices, 1850 SW 170th Ave, Beaverton, OR 97003.

Joint Venture	Balance, June 30, 2024		Operating Loss Before Contributions		Balance, June 30, 2025	
				City Contribution		
JWC	\$ 64,306,050		\$ (1,975,250)	\$ 320,472	\$ 62,651,272	
Barney	5,956,989		(243,517)	21,887	5,735,359	
WIF	5,288,125		(90,850)	-	5,197,275	
WWSS	338,250,863		(227,582)	82,053,377	420,076,658	
Total	\$ 413,802,027		\$ (2,537,199)	\$ 82,395,736	\$ 493,660,564	

CITY OF HILLSBORO, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2025

9. CAPITAL ASSETS

Capital asset activity, including tangible (owned and leased) and right-to-use intangible assets (SBITAs) for year ended June 30, 2025, was as follows:

	Balance June 30, 2024	Increases	Decreases	Transfers	Recategorized from Land Held For Resale *	Balance June 30, 2025
Governmental activities:						
Capital assets not being depreciated and amortized:						
Land and easements	\$ 461,012,814	\$ 25,491,100	\$ -	\$ -	\$ 1,105,911	\$ 487,609,825
Construction in progress	35,831,394	101,194,503	(116,516)	(26,439,194)	-	110,470,187
Total capital assets not being depreciated and amortized	496,844,208	126,685,603	(116,516)	(26,439,194)	1,105,911	598,080,012
Capital assets being depreciated and amortized:						
Buildings and structures	280,265,490	1,048,586	(266,479)	11,787,173	-	292,834,770
Temporary easements	4,256,336	-	-	-	-	4,256,336
Machinery and equipment	46,368,210	4,091,202	(817,866)	2,113,571	-	51,755,117
Infrastructure	612,724,333	20,258,924	-	12,538,450	-	645,521,707
SBITA	3,995,653	2,345,406	(1,084,330)	-	-	5,256,729
Total capital assets being depreciated and amortized	947,610,022	27,744,118	(2,168,675)	26,439,194	-	999,624,659
Less accumulated depreciation and amortization for:						
Buildings and structures	(115,090,477)	(9,805,873)	188,785	-	-	(124,707,565)
Temporary easements	(4,237,661)	-	-	-	-	(4,237,661)
Machinery and equipment	(31,543,598)	(4,001,904)	811,890	-	-	(34,733,612)
Infrastructure	(417,985,436)	(4,614,434)	-	-	-	(422,599,870)
SBITA	(1,278,872)	(1,202,211)	1,084,330	-	-	(1,396,753)
Total accumulated depreciation and amortization	(570,136,044)	(19,624,422)	2,085,005	-	-	(587,675,461)
Total capital assets being depreciated and amortized, net	377,473,978	8,119,696	(83,670)	26,439,194	-	411,949,198
Total capital assets, net	\$ 874,318,186	\$ 134,805,299	\$ (200,186)	\$ 1,105,911	\$ 1,010,029,210	

* During the current fiscal year, it was determined a parcel held for resale will remain with the Council for the purpose of a widened alley to enhance downtown business access.

Governmental activities depreciation and amortization expense was charged to programs as follows:

General government	\$ 5,262,296
Public safety and judicial	2,949,961
Community Service	819,410
Culture and recreation	5,933,946
Roads and bridges	4,658,809
Total	\$ 19,624,422

CITY OF HILLSBORO, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2025

9. CAPITAL ASSETS (Continued)

	Balance June 30, 2024	Increases	Decreases	Transfers	Balance June 30, 2025
Business-type activities:					
Capital assets not being depreciated:					
Land and easements	\$ 40,184,273	\$ 3,229,473	\$ -	\$ -	\$ 43,413,746
Water rights	22,453,672	-	-	-	22,453,672
Construction in progress	21,603,981	10,715,615	-	(27,898,722)	4,420,874
Total capital assets not being depreciated	84,241,926	13,945,088	-	(27,898,722)	70,288,292
Capital assets being depreciated:					
Water and pumping station rights	1,207,153	-	-	-	1,207,153
Buildings and structures	22,611,287	489,020	-	-	23,100,307
Machinery, equipment, and transmission	152,278,560	2,101,681	(282,709)	16,378,833	170,476,365
Treatment facilities	447,301	-	-	-	447,301
Dams and reservoirs	40,103,634	-	-	-	40,103,634
Infrastructure	208,253,462	13,559,614	-	11,519,889	233,332,965
Total capital assets being depreciated	424,901,397	16,150,315	(282,709)	27,898,722	468,667,725
Less accumulated depreciation for:					
Water and pumping station rights	(1,150,554)	(7,075)	-	-	(1,157,629)
Buildings and structures	(9,359,553)	(754,886)	-	-	(10,114,439)
Machinery, equipment, and transmission	(63,752,417)	(3,957,494)	282,709	-	(67,427,202)
Treatment facilities	(367,108)	(2,987)	-	-	(370,095)
Dams and reservoirs	(9,969,224)	(800,941)	-	-	(10,770,165)
Infrastructure	(64,986,624)	(5,259,137)	-	-	(70,245,761)
Total accumulated depreciation	(149,585,480)	(10,782,520)	282,709	-	(160,085,291)
Total capital assets being depreciated, net	275,315,917	5,367,795	-	27,898,722	308,582,434
Total capital assets, net	\$ 359,557,843	\$ 19,312,883	\$ -	\$ -	\$ 378,870,726

Business-type activities depreciation expense was charged to the water, sewer, surface water management, broadband and intermodal transit facility functions as follows:

Water	\$ 4,347,972
Sewer	1,949,221
Surface water management	2,315,809
Non-major funds	2,169,518
Total	\$ 10,782,520

CITY OF HILLSBORO, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2025

10. LONG-TERM DEBT

Bonds Payable

Governmental activities bonds payable transactions (most of which are all in internal service funds) for the year are as follows:

Governmental activities:	Original Amount	Outstanding June 30, 2024	Redeemed	Outstanding June 30, 2025
Full Faith and Credit Obligations,				
Series 2012A Civic Center, Refunding and Libraries Remodel, interest 3.0% - 5.0%, due 2032	\$ 28,715,000	\$ 12,130,000	\$ 1,950,000	\$ 10,180,000
Series 2012B, Taxable, Ballpark Facility, interest 2.0% - 3.125%, due 2032	11,895,000	5,380,000	610,000	4,770,000
Series 2016, Public Works Facility, interest 2.0% - 3.5%, due 2036	9,655,000	6,560,000	460,000	6,100,000
Series 2017, Jones Farm Fire Station Refunding and Public Safety Training Facility, interest 3.0% - 3.2% due 2037	9,460,000	6,090,000	885,000	5,205,000
Series 2019, Hidden Creek Community Center, interest 2.0% - 5.0%, due 2039	35,235,000	33,640,000	855,000	32,785,000
Series 2023, South Hillsboro Local Improvement District, interest 5.074%, due 2038	12,500,000	9,895,000	1,180,000	8,715,000
Series 2024, North Hillsboro Tax Increment, interest 5.0% - 5.941%, due 2043	83,140,000	83,140,000	705,000	82,435,000
Total Governmental activities	\$ 190,600,000	\$ 156,835,000	\$ 6,645,000	150,190,000
			Unamortized bond premiums	2,989,733
				\$ 153,179,733

Current and long-term portions of Governmental activities bonds are as follows:

	Outstanding June 30, 2025	Due in One Year	Long-term Portion
Principal			
Unamortized bond premiums	\$ 150,190,000	\$ 5,835,000	\$ 144,355,000
	2,989,733	316,872	2,672,861
Total	\$ 153,179,733	\$ 6,151,872	\$ 147,027,861

CITY OF HILLSBORO, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2025

10. LONG-TERM DEBT (Continued)

Bonds Payable (Continued)

Business-type activities bonds payable transactions for the year are as follows:

Business-type activities:	Original Amount	Outstanding June 30, 2024	Outstanding June 30, 2025
2019 Water Revenue Bond, interest 3.0% - 5.0%, due 2049	\$ 48,205,000	\$ 48,205,000	\$ 48,205,000
2019 WIFIA Revenue Bond, direct placement interest 1.36%, due 2061	<u>250,523,385</u>	<u>250,523,385</u>	<u>250,523,385</u>
Total Business-type activities	<u>\$ 298,728,385</u>	<u>\$ 298,728,385</u>	298,728,385
		Unamortized bond premiums	<u>1,866,034</u>
			<u>\$ 300,594,419</u>

Current and long-term portions of Business-type activities bonds are as follows:

	Outstanding June 30, 2025	Due in One Year	Long-term Portion
Principal	\$ 298,728,385	\$ -	\$ 298,728,385
Unamortized bond premiums	<u>1,866,034</u>	<u>77,751</u>	<u>1,788,283</u>
Total	<u>\$ 300,594,419</u>	<u>\$ 77,751</u>	<u>\$ 300,516,668</u>

As part of the Water bonds covenants, the City is required to maintain net revenue equal to 1.25 times the annual debt service of the bonds and net revenues less system development charges equal to 1.15 times the annual debt services of the bonds. The City was in compliance with these covenants for the year ended June 30, 2025.

Water revenue bonds were issued in 2019 to fund the construction of the Willamette Water Supply System. The full faith and credit obligations are payable from the general revenues of the City and the water revenue bonds from water revenues.

The 2019 WIFIA Revenue Bond was a direct placement entered into 2019. The interest rate is at 1.36%. The loan agreement allows the City to issue up to \$250,523,385 (excluding capitalized interest) which has been fully drawn upon. Of the accrued interest payable on the Statement of Net Position, \$7,746,875 is related to this bond.

CITY OF HILLSBORO, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2025

10. LONG-TERM DEBT (Continued)

Bonds Payable (Continued)

Future maturities of bond principal and interest at June 30, 2025, are as follows:

	Governmental Activities			Business-Type Activities		
	Full Faith and Credit Obligations		Water Revenue Bonds			
Fiscal Year	Principal	Interest	Fiscal Year	Principal	Interest	
2026	\$ 5,835,000	\$ 6,957,349	2026	\$ -	\$ 1,628,450	
2027	6,540,000	6,746,997	2027	1,340,000	1,628,450	
2028	7,275,000	6,501,202	2028	1,405,000	1,561,450	
2029	7,535,000	6,216,992	2029	1,480,000	1,491,200	
2030	5,720,000	5,920,279	2030	1,550,000	1,417,200	
2031-2035	32,195,000	26,006,403	2031-2035	20,410,452	23,605,433	
2036-2040	57,325,000	17,199,714	2036-2040	50,087,124	19,477,715	
2041-2045	27,765,000	3,362,605	2041-2045	54,528,542	15,036,548	
	-	-	2046-2050	56,464,992	10,135,897	
	-	-	2051-2055	48,610,145	6,110,445	
	-	-	2056-2060	52,018,640	2,701,950	
	-	-	2061	<u>10,833,490</u>	<u>110,626</u>	
				<u>\$ 298,728,385</u>	<u>\$ 84,905,364</u>	

Notes Payable

	Original Amount	Outstanding June 30, 2024	Decrease	Outstanding June 30, 2025
Governmental Activities:				
North Hillsboro Industrial Urban Renewal, interest at 3.07%, semi-annual payments of principal and interest on December 1 and June 1, due 2034	\$ 23,000,000	\$ 16,481,000	\$ 1,433,000	\$ 15,048,000
North Hillsboro Industrial Urban Renewal, interest at 3.18%, semi-annual payments of principal and interest on December 1 and June 1, due 2036				
	<u>25,286,000</u>	<u>23,212,000</u>	<u>1,256,000</u>	<u>21,956,000</u>
	<u>\$ 48,286,000</u>	<u>\$ 39,693,000</u>	<u>\$ 2,689,000</u>	<u>37,004,000</u>
Current portion				<u>(2,870,000)</u>
Long-term portion				<u>\$ 34,134,000</u>

CITY OF HILLSBORO, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2025

10. LONG-TERM DEBT (Continued)

Notes Payable (Continued)

Future maturities are as follows:

Fiscal Year	Governmental Activities	
	Principal	Interest
2026	\$ 2,870,000	\$ 1,160,174
2027	2,960,000	1,070,534
2028	3,053,000	978,080
2029	3,148,000	882,722
2030	3,247,000	784,394
2031-2035	17,820,000	2,335,820
2036-2037	3,906,000	124,209
	\$ 37,004,000	\$ 7,335,933

Interfund Notes

On January 15, 2016, the City issued an interfund note payable between the Building Fund and the Parks SDC Fund for \$9,000,000 for the financing of capital land purchase for future parks development. As both funds are classified as governmental funds, this interfund note and accrued interest does not show on the Statement of Net Position. The original term of the note is 10 years, at a rate of 4.2%, maturing February 2026, semi-annual payments due on February 1 and August 1. On July 19, 2016, the City issued an additional \$1,000,000 in interfund notes and revised the repayment terms. Repayment began August 2018, and was to be paid over 8 years. On February 18, 2020, the City adopted a resolution to decrease the interest rate from 4.2% to 2% retroactively to the beginning of the loan. This adjustment is reflected in the table below. The loan was repaid in full December 4, 2024.

On December 13, 2021, the City issued an interfund note payable between the Building Fund and the Strategic Investment Program Fund for \$12,810,000 for the purchase of land in North Hillsboro. The original term of the note is 10 years, at a rate of 3.5%, maturing July 2032. Interest began accruing immediately, with semiannual repayment beginning July 2024, due on January 1 and July 1 for a term of eight years. The loan was repaid in full December 4, 2024.

On January 21, 2025, the City adopted Resolution 2871, authorizing an interfund note payable of up to \$20,000,000 between the Building Fund and the Facilities Management Fund. The funds will be used as bridge financing for various capital projects. The initial draw of \$1,500,000 occurred on June 30, 2025, at an interest rate of 4.6%, with the note maturing in June 2035. Interest accrues immediately, with annual payments beginning June 30, 2026, and continuing for 10 years.

CITY OF HILLSBORO, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2025

10. LONG-TERM DEBT (Continued)

Interfund Notes (Continued)

	Original Amount	Outstanding June 30, 2024	Increase	Decrease	Outstanding June 30, 2025
Parks/Building Note, interest at 2%, principal and interest due semi-annually on February 1 and August 1, due 2026	\$ 10,000,000	\$ 2,624,541	\$ -	\$ 2,624,541	\$ -
SIP/Building Note, interest at 3.5%, principal and interest due semi-annually on January 1 and July 1, due 2032	12,810,000	13,970,798	-	13,970,798	-
Facilities/Building Note, interest at 4.6%, principal and interest due annually on June 30, Due 2035	\$ 1,500,000	\$ -	1,500,000	-	1,500,000
Total	\$ 24,310,000	\$ 16,595,339	\$ 1,500,000	\$ 16,595,339	\$ 1,500,000
Current portion					(121,501)
Long-term portion					\$ 1,378,499

Future maturities are as follows:

Fiscal Year	Principal	Interest
2026	\$ 121,501	\$ 69,000
2027	127,091	63,411
2028	132,937	57,565
2029	139,052	51,450
2030	145,448	45,053
2031-2035	833,971	118,536
	\$ 1,500,000	\$ 405,015

CITY OF HILLSBORO, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2025

10. LONG-TERM DEBT (Continued)

Compensated Absences

On an entity-wide basis for Governmental Activities, the City accrues the outstanding vacation and compensatory time earned but not paid to employees. Additionally, a liability is recognized for the estimation of use of sick leave earned but not paid to employees.

The following represents the City's liability for compensated absences at June 30, 2025:

	Governmental Activities	Business-Type Activities
Balance, June 30, 2024	\$ 10,900,662	\$ 1,868,008
Net change	1,342,400	284,998
Balance, June 30, 2025	<u>12,243,062</u>	<u>2,153,006</u>
Noncurrent portion	<u>7,870,268</u>	<u>1,323,734</u>
Current portion	<u>\$ 4,372,794</u>	<u>\$ 829,272</u>

11. LEASES AND SBITA PAYABLE

The following table reflects the balance of Leases and SBITA Payable:

	Original Amount	Outstanding June 30, 2024	Additions	Decreases	Outstanding June 30, 2025
Governmental Activities:					
Art Building Lease; interest at 2.40%, monthly payments of principal and interest of \$2,500, cancelled 2025	\$ 266,479	\$ 96,010	\$ -	\$ 96,010	\$ -
Police Station Lease, interest at 2.0%, monthly payments from \$18,492 to \$20,207, due 2027	890,833	504,461	-	226,241	278,220
Subscription-based information technology arrangements, 13 total, varying payments, of principal and interest, and due dates through 2030	<u>1,115,593</u>	<u>2,237,252</u>	<u>483,028</u>	<u>861,316</u>	<u>1,858,964</u>
Current portion	<u>\$ 2,272,905</u>	<u>\$ 2,837,723</u>	<u>\$ 483,028</u>	<u>\$ 1,183,567</u>	<u>2,137,184</u>
Long-term portion					<u><u>(1,072,653)</u></u>
					<u><u>\$ 1,064,531</u></u>

CITY OF HILLSBORO, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2025

11. LEASES AND SBITA PAYABLE (Continued)

Future maturities are as follows:

Fiscal Year		
	Governmental Activities	
	Principal	Interest
2026	\$ 1,072,653	\$ 56,004
2027	627,351	24,173
2028	377,890	4,062
2029	59,290	413
	<u><u>\$ 2,137,184</u></u>	<u><u>\$ 84,652</u></u>

12. TRANSFERS TO/FROM OTHER FUNDS

Transfers to/from other funds consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Transfers in	\$ 33,476,231	5,715,829	\$ 39,192,060
Transfers out	(38,023,975)	(1,168,085)	(39,192,060)
Totals	<u><u>\$ (4,547,744)</u></u>	<u><u>\$ 4,547,744</u></u>	<u><u>\$ -</u></u>

The schedule on the following page reflects the purpose of these transfers.

CITY OF HILLSBORO, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2025

12. TRANSFERS TO/FROM OTHER FUNDS (Continued)

Amount	Description
\$ 64,958	General Fund to Non-major Business-Type Funds for Fiber to the Home
385,000	Transportation Fund to General Fund for street lighting, economic development operations, and a share of planning operations
575,349	Transportation Fund to Internal Services Funds for a portion of the public works facility and fleet shop expansion and facility projects
6,260,812	Building Fund to Internal Services Funds for software projects, 4th floor remodel and SoHi DOC
220,271	Utilities Commission Fund to Internal Services Funds for fleet shop expansion and other projects
50,000	Utilities Commission Fund to the General Fund for planning operations
60,000	Sewer Fund to General Fund for planning operations
189,910	Sewer Fund to Internal Services Funds for SBITA contracts and Miscellaneous Facilities Projects
150,000	Surface Water Management Fund to General Fund for planning operations and Jackson Bottom operations
420,551	Surface Water Management Funds to Internal Services Funds for SBITA contracts, a portion of the public works facility and Miscellaneous Facilities Projects
500,000	Non-major Governmental Funds to Transportation Funds for Safe Routes to School
5,000,000	Non-major Governmental Funds to HEDC North Hillsboro Industrial Fund for urban renewal activities
900,000	Non-major Governmental Funds to Non-major Governmental Funds for urban renewal activities
350,000	Non-major Governmental Funds to Internal Services Fund for ITF projects
3,850,000	Non-major Governmental Funds to Non-major Governmental Funds for parks capital projects
4,374,323	Non-major Governmental Funds to Non-major Business-Type Funds for Fiber to the Home
77,353	Non-major Business Type Funds to Internal Services Funds for 3rd floor remodel
8,526,536	Internal Services Funds to the General Fund for funding Reserve Balance
2,235,449	Internal Services Funds to General Fund for funding capital replacement
350,000	Internal Services Funds to General Fund for Affordable Housing
875,000	Internal Services Funds to Non-major Governmental Funds for the repayment of County Event center
1,276,548	Internal Services Funds to Non-major Business-Type Funds for construction of the fiber network
2,500,000	Internal Services Funds to Internal Service Funds for funding vehicle replacement
<hr/> <u>\$ 39,192,060</u>	

CITY OF HILLSBORO, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2025

13. PENSION PLAN

The Oregon Public Employees Retirement System is a cost-sharing multiple-employer benefit plan that provides statewide defined benefit and defined contribution retirement plans for units of state government, political subdivisions, community colleges and school districts. The City has joined this pool. The system provides retirement and disability benefits, post-employment healthcare benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

Plan Description

Substantially all City employees are members in the Oregon Public Employees Retirement System. All benefits of OPERS are established by the legislature pursuant to ORS Chapters 238 and 238A. The authority to establish and amend the benefit provisions of the plan rests with the Oregon Legislature. OPERS produces an independently audited ACFR that can be found at: <https://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

Description of Benefit Terms

Chapter 238-Tier One/Tier Two Retirement Benefit Tier One/Tier Two Retirement Benefit plan is closed to new members hired on or after August 29, 2003.

Pension Benefits. The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0% for police and fire employees, 1.67% for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at a minimum retirement age for a service retirement allowance if he or she has had contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

Death Benefits. Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- Member was employed by a PERS employer at the time of death,
- Member died within 120 days after termination of PERS-covered employment,
- Member died as a result of injury sustained while employed in a PERS-covered job, or
- Member was on an official leave of absence from a PERS-covered job at the time of death.

CITY OF HILLSBORO, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2025

13. PENSION PLAN (Continued)

Description of Benefit Terms (Continued)

Disability Benefits. A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member for disability benefit regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

Benefit Changes After Retirement. Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the fair value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes.

Benefits provided under Chapter 238A - OPSRP Pension Program. OPSRP pension program provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age.

Pension Benefits. For general service members, 1.5% is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit. For police and fire members, 1.8% is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

A member of the OPSRP Pension Program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and if the pension program is terminated, the date on which termination becomes effective.

Death Benefits. Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability Benefits. A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit Changes After Retirement. Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes.

CITY OF HILLSBORO, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2025

13. PENSION PLAN (Continued)

Actuarial Methods and Assumptions

The total pension liability in the December 31, 2022, actuarial valuation was determined using the following actuarial methods and assumptions:

Valuation Date	December 31, 2022
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.40%
Investment Rate of Return	6.90%
Projected Salary Increases	3.40% overall payroll growth
Mortality	Pub-2010 General and Safety Employee and Healthy Retiree tables, sex distinct for members and dependents, with a one-year setback for male general service employees and female safety employees.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2022 experience study which reviewed experience for the four-year period ended on December 31, 2022.

Discount Rate

The discount rate used to measure the total pension liability was 6.90% for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Long-term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in June 2023, the PERS Board revised long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption was based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

CITY OF HILLSBORO, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2025

13. PENSION PLAN (Continued)

Asset Class	Target	Compound Annual Return (Geometric)
Global Equity	27.50 %	7.07 %
Private Equity	25.50	8.83
Core Fixed Income	25.00	4.50
Real Estate	12.25	5.83
Master Limited Partnerships	0.75	6.02
Infrastructure	1.50	6.51
Hedge Fund of Funds - Multi-strategy	1.25	6.27
Hedge Fund Equity - Hedge	0.63	6.48
Hedge Fund - Macro	5.62	4.83
	100.00 %	
Assumed Inflation - Mean		2.35 %

Contributions

OPERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due, and are paid from the fund in which the related personnel expense occurred. This funding policy applies to the OPERS Defined Benefit Plan and Other Postemployment Benefit Plans.

Employer contribution rates for the period were based on the December 31, 2021, actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2023, and were effective through June 30, 2025. Contributions pay for both current commitments and liquidation of existing liabilities, and are funded by the governmental and business-type funds which originate current payroll expenditures. The City's contribution rates, which include a small percentage of retirement health insurance account (RHIA) expense as disclosed in the note on other post-employment benefits, for the period were 24.68% for Tier One/Tier Two members, 18.60% for OPSRP General Service members, and 23.39% for OPSRP Police and Fire members. The City's total contributions, including RHIA was approximately \$23,664,000. Respective rates for these respective plans will increase effective July 1, 2025, to the following: 28.31%, 22.74%, 28.01%.

Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2025, the City reported a liability of \$152,524,822 for its proportionate share of the plan pension liability. Actuarial reports do not provide classification between current and long-term portions of this liability. The net pension liability was measured as of June 30, 2024, rolled forward from actuarial valuation as of December 31, 2022. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2024, the City's proportion was approximately 0.6862%, which was a decrease from its proportion of approximately 0.0790%, measured as of June 30, 2023. Each City fund is responsible for paying its share of the expense and liability based on its proportion of the City's overall payroll expense.

For the year ended June 30, 2025, the City recognized pension expense of \$29,023,323 for the defined benefit portion of the pension plan. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF HILLSBORO, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2025

13. PENSION PLAN (Continued)

Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflow/(Inflows of Resources)
Differences between expected and actual experience	\$ 9,035,685	\$ 364,027	\$ 8,671,658
Change of assumptions	15,334,895	19,646	15,315,249
Net difference between projected and actual earnings on investments	9,689,591	-	9,689,591
Changes in proportionate share	15,428,684	10,356,311	5,072,373
Differences between employer contributions and employer's proportionate share of contributions	2,338,491	4,929,091	(2,590,600)
Total (prior to post-measurement date contributions)	51,827,346	15,669,075	36,158,271
City contributions subsequent to the measurement date	23,663,577	-	23,663,577
Total	\$ 75,490,923	\$ 15,669,075	\$ 59,821,848

Deferred outflows of resources related to pensions of \$23,663,577 resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows/ (Inflows) of Resources
2025	\$ 7,780,035	\$ (4,637,611)	\$ 3,142,424
2026	23,470,296	(4,453,699)	19,016,597
2027	13,309,268	(3,458,903)	9,850,365
2028	6,191,493	(2,407,789)	3,783,704
2029	1,076,254	(711,073)	365,181
Total	\$ 51,827,346	\$ (15,669,075)	\$ 36,158,271

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.90%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
City's proportionate share of the net pension liability	\$ 240,601,712	\$ 152,524,822	\$ 78,756,123

CITY OF HILLSBORO, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2025

13. PENSION PLAN (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report on their website: <https://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

OPSRP Individual Account Program (OPSRP IAP) Plan Description

Pension Benefits. Participants in OPERS defined benefit pension plans also participated in their defined contribution plan. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of the five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Benefits Provided. Upon retirement, a member of the OPSRP IAP may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits. Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Contributions. Covered employees are required to contribute 6% of their salary to the plan. The City has chosen to pay the employees contributions to the plan for police union employees. For fiscal year June 30, 2024, the City contributed approximately \$844,000 for these employees.

14. OTHER POST-EMPLOYMENT BENEFITS

The other post-employment benefits (OPEB) for the City includes two separate plans. The City provides an implicit rate subsidy for retiree health insurance premiums, and a contribution to the State of Oregon's PERS cost-sharing multiple-employer defined health insurance benefit plan.

CITY OF HILLSBORO, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2025

14. OTHER POST-EMPLOYMENT BENEFITS (Continued)

Financial Statement Presentation

The City's two OPEB plans are presented in the aggregate on the Statement of Net Position. The amounts on this financial statement relate to the plans as follows:

	Implicit Rate Subsidy Plan	PERS RHIA Plan	Total OPEB
Net OPEB Asset	\$ -	\$ 2,549,347	\$ 2,549,347
Deferred Outflows of Resources			
Contributions After the Measurement Date	\$ 594,343	\$ (181)	\$ 594,162
Changes of Assumptions	1,163,102	-	1,163,102
Change in proportionate share	-	-	-
Difference in Experience	565,203	-	565,203
Net difference between projected and actual earnings on investments	-	71,981	71,981
Total Deferred Outflows of Resources	\$ 2,322,648	\$ 71,800	\$ 2,394,448
Total OPEB Liability	\$ (10,649,388)	\$ -	\$ (10,649,388)
Deferred Inflows of Resources			
Difference in Experience	\$ (899,628)	\$ (49,861)	\$ (949,489)
Change in Proportionate Share	-	(144,223)	(144,223)
Change in Assumptions	(2,083,266)	(32,247)	(2,115,513)
Total Deferred Inflows of Resources	\$ (2,982,894)	\$ (226,331)	\$ (3,209,225)
OPEB Expense (Income) (Included in program expense on Statement of Activities)	\$ 994,229	\$ (493,236)	\$ 500,993

Implicit Rate Subsidy

Plan Description

The City is required by ORS 243.303 to provide retirees with group health and dental insurance from the date of retirement to age 65 at the same rate provided to current employees. The City's single-employer defined benefit postemployment healthcare plan is administered by Citycounty Insurance (CIS). Benefit provisions are established through negotiations between the City and representatives of collective bargaining units or through resolutions passed by City Council. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. This is not a stand-alone plan and there are no separately issued financial statements.

CITY OF HILLSBORO, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2025

14. OTHER POST-EMPLOYMENT BENEFITS (Continued)

Implicit Rate Subsidy (Continued)

Benefits Provided

The plan provides eligible retirees and their dependents under age 65 the same health care coverage at the same premium rates as offered to active employees. The retiree is responsible for the premiums. As of the valuation date of July 1, 2024, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	35
Active employees	<u>1217</u>
	<u>1252</u>

Total OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The City's total OPEB liability of \$10,649,388 was measured as of June 30, 2024, and was determined by an actuarial valuation as of July 1, 2024. The actuarial report did not provide classification of the liability between current and long-term. Each City fund is responsible for paying its share of the expense and liability based on its proportion of the City's overall payroll expense.

For the fiscal year ended June 30, 2025, the City recognized OPEB expense from this plan of \$994,229. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows/(Inflows) of Resources
Contributions After the Measurement Date	\$ 594,343	\$ -	\$ 594,343
Difference in Experience	565,203	899,628	(334,425)
Change in Assumptions	<u>1,163,102</u>	<u>2,083,266</u>	<u>(920,164)</u>
	<u>\$ 2,322,648</u>	<u>\$ 2,982,894</u>	<u>\$ (660,246)</u>

Deferred outflows of resources related to OPEB of \$594,343 resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2025. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows/ (Inflows) of Resources
2025	282,195	479,753	(197,558)
2026	282,195	467,569	(185,374)
2027	281,554	408,060	(126,506)
2028	272,945	311,116	(38,171)
2029	239,438	301,614	(62,176)
Thereafter	<u>369,978</u>	<u>1,014,782</u>	<u>(644,804)</u>
	<u>\$ 1,728,305</u>	<u>\$ 2,982,894</u>	<u>\$ (1,254,589)</u>

CITY OF HILLSBORO, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2025

14. OTHER POST-EMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2024, valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.40%
Salary increases	3.40%
Mortality	Pub-2010 General and Safety Employee and Healthy Retiree tables, sex distinct for members and dependents, with a one-year setback for male general service employees and female safety employees and retirees. Additionally, the General Service male employee table has a 15% load, the General Service female employee table has a 25% load, and the Safety male employee table has a 25% load.
Discount rate	3.93%
Healthcare cost trend rate	Medical and vision costs increasing variably between 8.9% and 4.0%, settling to a rate of 3.75% in 2072 and thereafter.

The discount rate was based on the Bond Buyer 20-Year General Obligation Bond Index.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance as of June 30, 2024	\$ 12,542,073
Changes for the year:	
Service cost	718,525
Interest on Total OPEB Liability	473,262
Effect of economic/demographic gains/losses	(1,000,710)
Effect of assumptions changes or inputs	(1,489,419)
Benefit payments	(594,343)
Balance as of June 30, 2025	<u>\$ 10,649,388</u>

Changes in assumptions is the result of the change in discount rate from 3.65% to 3.93%.

Sensitivity of the Total OPEB Liability

The following presents the City's total OPEB liability, as well as what the liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

	1% Decrease (2.93%)	Current Discount Rate (3.93%)	1% Increase (4.93%)
Total OPEB Liability	\$ 11,661,073	\$ 10,649,388	\$ 9,727,495

CITY OF HILLSBORO, OREGON**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)****YEAR ENDED JUNE 30, 2025****14. OTHER POST-EMPLOYMENT BENEFITS (Continued)*****Sensitivity of the Total OPEB Liability (Continued)***

A similar sensitivity analysis is then presented for the changes in the healthcare trend assumption as follows:

	1% Decrease (7.9% to 2.75%)	Current Healthcare Trend Rate (8.9% to 3.75%)	1% Increase (9.9% to 4.75%)
Total OPEB Liability	\$ 9,382,681	\$ 10,649,388	\$ 12,168,997

PERS Retirement Health Insurance Account (RHIA)**Plan Description**

As a member of Oregon Public Employees Retirement System, the City contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer other postemployment defined benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained online at:

<https://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

Benefits Provided

RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly costs of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in the ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Contributions

PERS funding policy provides for employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. Employer contribution rates for the period were based on the December 31, 2021, actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2023. The City's contribution rates for the period were 0.00% for Tier One/Tier Two members and 0.00% for OPSRP members. The City's total for the year ended June 30, 2024, contributions was \$(181).

CITY OF HILLSBORO, OREGON**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)****YEAR ENDED JUNE 30, 2025****14. OTHER POST-EMPLOYMENT BENEFITS (Continued)*****OPEB Assets, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

At June 30, 2025, the City reported an asset of \$2,549,347 for its proportionate share of the OPERS net OPEB asset. The net OPEB asset was measured as of June 30, 2024, determined by an actuarial valuation as of December 31, 2022, rolled forward to June 30, 2024. The City's proportion of the net OPEB asset was based on the City's contributions to the RHIA program during the measurement period relative to contributions from all participating employers. At June 30, 2024, the City's proportionate share was 0.6312% which is an increase from its proportion of 0.5716% as of June 30, 2023.

For the year ended June 30, 2025, the City recognized OPEB income from this plan of \$493,236. At June 30, 2025, the City reported the following deferred items related to this OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Contributions After the Measurement Date	\$ (181)	\$ -	\$ (181)
Differences in Experience	-	49,861	(49,861)
Change in Proportionate Share	-	144,223	(144,223)
Changes in Assumptions	-	32,247	(32,247)
Net Investment Differences	71,981	-	71,981
	\$ 71,800	\$ 226,331	\$ (154,531)

Deferred outflows of resources related to OPEB of \$(181) resulting from the City's contributions subsequent to the measurement date will be recognized as either a reduction of the net OPEB liability or an increase in the net OPEB asset in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Fiscal Year	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
2025	\$ (68,992)	\$ 209,700	\$ (278,692)
2026	93,721	16,631	77,090
2027	38,942	-	38,942
2028	8,309	-	8,309
	\$ 71,980	\$ 226,331	\$ (154,351)

Actuarial Assumptions and Other Inputs

Actuarial methods and assumptions are consistent with those disclosed in the OPERS Pension Plan. See Note 13 for additional information on Assumptions and Methods, the long-term Expected Rate of Return, and the Discount Rate.

CITY OF HILLSBORO, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2025

14. OTHER POST-EMPLOYMENT BENEFITS (Continued)

Sensitivity of the Total OPEB Asset (liability) to changes in the discount rate

The following presents the City's total OPEB asset, as well as what the asset (liability) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Total OPEB Asset (liability)	\$ 2,359,920	\$ 2,549,347	\$ 2,712,448

OPEB Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in a separately issued OPERS financial report.

15. OTHER INFORMATION

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which it carries commercial insurance. The City has established a self-insured program for workers' compensation. The City also purchases excess insurance to cover worker comp claims that incur costs in excess of \$600,000 per claim for regular employees and \$750,000 per claim for Police/Firefighters. Settlements have not exceeded commercial insurance coverage, or self-insured workers compensation limits for the past three years.

Liabilities for the City are recorded when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated, based on historical trend analyses of similar injuries and claims and include an amount of claims that have been incurred but not reported and are reevaluated periodically to consider current settlements, frequency of claims, past experience and economic factors. The City classifies this liability as current as claim payments could be paid in full during the succeeding fiscal year. The following shows a historical comparison of the change in total liability:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims, Adjustments and Changes in Estimates		Claims Payments	Balance at Fiscal Year End
		\$ 594,445	\$ (465,445)		
2024-25	\$ 1,724,000				\$ 1,853,000
2023-24	1,348,000	814,490	(438,490)		1,724,000
2022-23	1,099,000	905,663	(656,663)		1,348,000

CITY OF HILLSBORO, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2025

15. OTHER INFORMATION

Deferred Compensation Plan

The City has a deferred compensation plan created in accordance with the Internal Revenue Code Section 457(g). The Plan is administered by independent plan administrators through administrative service agreements. The Plan is available to all employees of the City.

Employees may defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death, or financial hardship. The Plan's assets are held in a custodial account for the exclusive benefit of participants and beneficiaries, and are not subject to the claims of the City's creditors, nor can they be used by the City for any purpose other than the payment of benefits to the Plan participants. Accordingly, these Plan assets and related liability are not recorded in the City's basic financial statements.

16. TAX ABATEMENTS

The City enters into property tax abatement agreements with local businesses under the following programs:

- Strategic Investment Program (SIP) – this program was authorized by the Oregon Legislature in 1993 under ORS 285C.600 to increase Oregon's ability to attract capital-intensive industry. New projects approved for an urban SIP must pay full property taxes on the first \$100 million invested, in addition to an annual community service fee up to \$2 million and other negotiated fees. Rural SIP agreements require full property taxes on the first \$40 million. An SIP agreement is between Washington County, the City of Hillsboro and the company. The City has three active SIP agreements with two companies as of June 30, 2025. The program provides property tax incentives to encourage businesses to make large capital investments. Abatements are obtained through agreements between the government and the business in which at least \$100 million is expected to be invested into the urban site. Under an SIP, businesses are not required to invest under the agreement, but without the additional investment, there is no abatement. The amount of the abatement reduces assessed value for property tax calculations to the City and other overlapping taxing jurisdictions.
- Enterprise Zone Program – this program provides property tax abatements on new investments for a specified amount of time to encourage certain businesses to make investments into a specified zone and create new jobs under ORS 285C.175. Abatements are obtained through an application process and the business agrees to increase and maintain employment in the specified zone at a minimum of at least 110% of the average level from the time of the agreement. Should the business fail to meet requirements of the program, the abatement would be precluded and the full assessed value would go back on the tax rolls to be assessed. The amount of the abatement reduces assessed value for property tax calculation to the City and other overlapping taxing jurisdictions.
- Vertical Housing Program – this program provides property tax abatements on investment in and rehabilitation of properties in targeted areas to revitalize communities under ORS 307.864. Property tax abatements of up to 80% over a 10-year period are obtained through application of a developer to construct new mixed-use developments which contain both non-residential and residential uses in zones designated by local jurisdictions. The property must be used for the intended purpose during the duration of the abatement. If a portion of the property changes to an uncertified use, the abatement of property tax would be disqualified from the proportion of the property which was decertified. The amount of the abatement reduces assessed value for property tax calculation to the City and other overlapping taxing jurisdictions.

CITY OF HILLSBORO, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2025

16. TAX ABATEMENTS (Continued)

- Nonprofit Low-Income Rental Housing Program – this program provides property tax exemptions on certain property owned or being purchased by a nonprofit corporation, if the property is intended for the purpose of low-income housing under ORS 307.541. Exemptions are obtained annually through an application process by a qualifying nonprofit corporation that is exempt from federal income tax [Section 501(c)(3) or (4) of the Internal Revenue Code] and the nonprofit corporation must certify that the income level of each renter is at or below 60 percent of area median income. Qualified property is exempt only from city or county taxes, whichever granted the exemption. To exempt the property from all property taxes, districts levying 51 percent or more of the taxes on the property must pass resolutions to approve the exemption.

The following table presents the estimated amount of property taxes abated during the fiscal year ended June 30, 2025:

Tax Abatement Program	Amount of Property Taxes Abated
Strategic Investment Program	\$ 126,280,000
Enterprise Zone	28,262,000
Vertical Housing	478,000
Low Income Housing	432,000

17. COMMITMENTS AND CONTINGENCIES

The City has used its bonding authority to issue \$16,125,000 in refunding bonds on behalf of The Hospital Facilities Authority of Hillsboro (HFAH), a public authority created by the City, with proceeds loaned to Tuality Healthcare doing business as Hillsboro Medical Center. The bonds are to be paid solely from the revenues and assets of HFAH, and are not an obligation of the City. As of June 30, 2025, the principal outstanding on these bonds totaled \$7,945,000.

Under an agreement with Clean Water Services (CWS), the City is required to collect and remit CWS's sewer service fees, surface water management fees, and sanitary sewer system development charges.

For the year ended June 30, 2025, the City remitted \$38,200,430 to Clean Water Services.

As of June 30, 2025, the City had outstanding construction and services commitments of approximately \$32.4 million.

The City is a defendant in certain ongoing legal actions. Although the outcome cannot be determined, the City believes that settlement of these matters will not have a material effect on the City's financial position and results of operations.

18. RELATED-PARTY TRANSACTIONS

The City is a member of a jointly governed municipal organization, Washington County Consolidated Communications Agency (WCCA), which provides regional 9-1-1 emergency telephone dispatch. While the City does not have an ownership or financial interest or responsibility in WCCA, the City appoints a representative that is a voting member on WCCA's Board of Commissioners. In addition to designating the City's portion of the State 9-1-1 Excise Tax revenues received directly by WCCA from the State of \$1,030,832, the City contributed \$2,158,399 to pay for the operations of the organization for the year ended June 30, 2025.

CITY OF HILLSBORO, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2025

19. FUND BALANCE CLASSIFICATION

Below is a schedule of ending fund balances as of June 30, 2025:

	General Fund	Transportation Fund	Building Fund	NoHi Industrial Capital Fund	Non-Major Funds	Total
Fund balances:						
Restricted:						
Cadet program	\$ -	\$ -	\$ -	\$ -	\$ 1,024,141	\$ 1,024,141
Law enforcement	-	-	-	-	110,149	110,149
Roads and paths						
maintenance	-	68,453,291	-	-	-	68,453,291
Affordable housing	308,276	-	-	-	-	308,276
Building inspection	-	-	58,672,436	-	-	58,672,436
Economic development	28,712,791	-	-	-	-	28,712,791
Parks mitigation	-	-	-	-	177,414	177,414
Local improvement						
district	-	-	-	-	608,346	608,346
Urban renewal	-	-	-	153,719,932	19,705,159	173,425,091
Capital Projects	-	-	-	-	38,708,938	38,708,938
Total Restricted	29,021,067	68,453,291	58,672,436	153,719,932	60,334,147	370,200,873
Committed:						
Roads maintenance	-	7,026,065	-	-	-	7,026,065
Total Committed	-	7,026,065	-	-	-	7,026,065
Assigned:						
Public arts	804,905	-	-	-	-	804,905
Pension plan funding	372,322	-	-	-	-	372,322
Affordable housing	1,799,447	-	-	-	-	1,799,447
Capital Projects	2,663,538	-	-	-	4,447,707	7,111,245
Total Assigned	5,640,212	-	-	-	4,447,707	10,087,919
Unassigned						
	39,316,289	(589,203)	-	-	-	38,727,086
Total fund balances	\$ 73,977,568	\$ 74,890,153	\$ 58,672,436	\$ 153,719,932	\$ 64,781,854	\$ 426,041,943

20. CHANGE WITHIN THE FINANCIAL REPORTING ENTITY

During the current year, the City implemented GASB Statement 101, *Compensated Absences*, as described in Note 1. As this change in accounting principle is the only change during the year, the effect of the change is reflected on the face of the financial statements for both the Government-wide and Enterprise fund financial statements.

21. SUBSEQUENT EVENT

On September 30, 2025, The Hospital Facilities Authority of Hillsboro (HFAH) used its bonding authority to issue \$8,110,000 in refunding bonds, the proceeds of which were loaned to Tuality Healthcare doing business as Hillsboro Medical Center. These bonds paid off the previous outstanding HFAH bonds as of June 30, 2025, which totaled \$7,945,000, as referenced in Note 17.

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REQUIRED SUPPLEMENTARY INFORMATION

Generally Accepted Accounting Principles

CITY OF HILLSBORO, OREGON

GENERAL FUND

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

YEAR ENDED JUNE 30, 2025

REVENUES:	Budget			Variance with Final Budget		
	Biennial Budget		Actual		Positive (Negative)	
	Original	Final	FY 2024	FY 2025		Biennial
Taxes:						
Property - current	\$175,071,095	\$175,071,095	\$ 86,834,553	\$ 91,029,172	\$ 177,863,725	\$ 2,792,630
- prior years	1,900,000	1,900,000	842,833	755,891	1,598,724	(301,276)
Library serial levy	11,950,610	11,950,610	6,035,058	6,155,759	12,190,817	240,207
Liquor, cigarette, marijuana	5,922,500	5,922,500	2,587,749	2,348,143	4,935,892	(986,608)
Hotel/motel	8,265,030	8,265,030	3,605,922	3,476,310	7,082,232	(1,182,798)
Intergovernmental	29,739,441	29,739,441	1,937,892	12,005,621	13,943,513	(15,795,928)
Franchise fees	46,672,600	46,672,600	24,272,149	27,700,079	51,972,228	5,299,628
Licenses and permits	1,872,080	1,872,080	809,676	1,069,281	1,878,957	6,877
Fines, forfeitures and penalties	1,212,000	1,212,000	664,788	657,747	1,322,535	110,535
Charges for services	9,890,755	11,458,224	5,848,032	6,621,483	12,469,515	1,011,291
Interest and investments	1,340,328	1,340,328	2,043,244	2,974,540	5,017,784	3,677,456
Grants and donations	1,399,658	1,961,046	770,218	1,416,001	2,186,219	225,173
Other	6,494,480	6,494,480	8,038,709	17,783,488	25,822,197	19,327,717
TOTAL REVENUES	301,730,577	303,859,434	144,290,823	173,993,515	318,284,338	14,424,904
EXPENDITURES:						
General government:						
Planning:						
Personnel services	5,978,575	5,978,575	2,442,929	2,357,746	4,800,675	1,177,900
Materials and services	972,760	1,272,760	618,284	308,790	927,074	345,686
Special payments	4,419,174	4,419,174	1,961,987	2,050,280	4,012,267	406,907
	11,370,509	11,670,509	5,023,200	4,716,816	9,740,016	1,930,493
Transportation Systems:						
Personnel services	2,362,655	2,362,655	800,617	977,643	1,778,260	584,395
Materials and services	1,081,330	1,778,330	710,954	386,594	1,097,548	680,782
	3,443,985	4,140,985	1,511,571	1,364,237	2,875,808	1,265,177
Special Expenditures:						
Materials and services	297,000	382,000	141,165	201,970	343,135	38,865
Capital outlay	6,456,471	6,371,471	1,184,059	1,206,653	2,390,712	3,980,759
Special payments	7,600,782	7,600,782	3,746,797	2,887,946	6,634,743	966,039
	14,354,253	14,354,253	5,072,021	4,296,569	9,368,590	4,985,663
Economic development:						
Personnel services	2,243,245	2,243,245	914,948	744,533	1,659,481	583,764
Materials and services	3,312,918	3,312,918	1,038,833	1,437,355	2,476,188	836,730
Capital outlay	6,503,627	6,503,627	-	-	-	6,503,627
Debt service	60,000	60,000	30,000	12,500	42,500	17,500
Special payments	1,135,760	1,135,760	532,498	542,432	1,074,930	60,830
	13,255,550	13,255,550	2,516,279	2,736,820	5,253,099	8,002,451

(Continued)

CITY OF HILLSBORO, OREGON

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (Continued)**

YEAR ENDED JUNE 30, 2025

EXPENDITURES (Continued):	Budget			Variance with Final Budget		
	Biennial Budget		Actual		Positive (Negative)	
	Original	Final	FY 2024	FY 2025		Biennial
General government (Continued):						
PERS stabilization:						
Personnel services	\$ 150,000	\$ 150,000	\$ (10,012)	\$ (54,828)	\$ (64,840)	\$ 214,840
	42,574,297	43,571,297	14,113,059	13,059,614	27,172,673	16,398,624
Public safety and judicial:						
Municipal court:						
Personnel services	876,165	876,165	406,276	419,696	825,972	50,193
Materials and services	87,300	87,300	16,327	46,510	62,837	24,463
Special payments	395,074	395,074	164,412	187,045	351,457	43,617
	1,358,539	1,358,539	587,015	653,251	1,240,266	118,273
Police:						
Personnel services	73,542,655	73,662,655	34,922,893	36,926,710	71,849,603	1,813,052
Materials and services	6,624,627	6,875,765	3,240,534	3,511,992	6,752,526	123,239
Special payments	18,656,090	18,656,090	8,139,575	8,897,817	17,037,392	1,618,698
	98,823,372	99,194,510	46,303,002	49,336,519	95,639,521	3,554,989
Fire:						
Personnel services	56,116,945	60,373,344	28,483,452	31,333,430	59,816,882	556,462
Materials and services	4,887,007	5,294,014	2,198,670	2,626,765	4,825,435	468,579
Special payments	11,480,272	11,480,272	4,982,529	5,424,807	10,407,336	1,072,936
	72,484,224	77,147,630	35,664,651	39,385,002	75,049,653	2,097,977
Total public safety and judicial:						
	172,666,135	177,700,679	82,554,668	89,374,772	171,929,440	5,771,239
Community service:						
Library:						
Personnel services	17,232,185	17,232,185	6,911,263	7,776,158	14,687,421	2,544,764
Materials and services	3,178,450	3,178,450	1,382,425	1,498,894	2,881,319	297,131
Special payments	10,019,159	10,019,159	4,319,128	4,708,919	9,028,047	991,112
	30,429,794	30,429,794	12,612,816	13,983,971	26,596,787	3,833,007

(Continued)

CITY OF HILLSBORO, OREGON

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (Continued)**

YEAR ENDED JUNE 30, 2025

EXPENDITURES (Continued):	Budget						Variance with Final Budget Positive (Negative)	
	Biennial Budget		Actual					
	Original	Final	FY 2024	FY 2025	Biennial			
Culture and recreation:								
Parks and recreation:								
Personnel services	\$ 41,395,440	\$ 41,395,440	\$ 19,267,045	\$ 20,712,571	\$ 39,979,616	\$ 1,415,824		
Materials and services	10,158,190	10,158,190	4,416,031	5,302,977	9,719,008	439,182		
Capital outlay	306,600	306,600	-	-	-	306,600		
Special payments	21,993,445	21,993,445	9,700,260	10,426,641	20,126,901	1,866,544		
Total culture and recreation	73,853,675	73,853,675	33,383,336	36,442,189	69,825,525	4,028,150		
Roads and bridges:								
Street lights:								
Materials and services	600,000	735,000	342,778	379,061	721,839	13,161		
Total roads and bridges	600,000	735,000	342,778	379,061	721,839	13,161		
Affordable housing:								
Personnel services	213,750	223,750	104,663	110,403	215,066	8,684		
Materials and services	480,000	480,000	145,465	102,731	248,196	231,804		
Capital outlay	1,568,383	1,558,383	-	-	-	1,558,383		
Special payments	25,600,000	25,600,000	101,000	10,601,000	10,702,000	14,898,000		
Total affordable housing	27,862,133	27,862,133	351,128	10,814,134	11,165,262	16,696,871		
COVID-19 response:								
Personnel services	125,825	125,825	77,139	-	77,139	48,686		
Materials and services	2,097,825	2,412,825	1,203,056	1,239,891	2,442,947	(30,122)		
Special payments	100,000	500,000	100,000	250,147	350,147	149,853		
Total COVID-19 response	2,323,650	3,038,650	1,380,195	1,490,038	2,870,233	168,417		
Contingency	14,642,746	9,890,059	-	-	-	9,890,059		
TOTAL EXPENDITURES	364,952,430	367,081,287	144,737,980	165,543,779	310,281,759	56,799,528		
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(63,221,853)	(63,221,853)	(447,157)	8,449,736	8,002,579	71,224,432		

CITY OF HILLSBORO, OREGON

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (Continued)**

YEAR ENDED JUNE 30, 2025

OTHER FINANCING SOURCES (USES):	Budget						Variance with Final Budget Positive (Negative)	
	Biennial Budget		Actual					
	Original	Final	FY 2024	FY 2025	Biennial			
Proceeds from sale of capital assets	\$ 20,000	\$ 20,000	\$ 37,313	\$ 10,577	\$ 47,890	\$ 27,890		
Transfers in	\$ 27,340,000	\$ 27,340,000	\$ 3,233,015	\$ 11,756,985	\$ 14,990,000	\$ (12,350,000)		
Transfers out	(10,688,825)	(10,688,825)	(94,126)	(64,958)	(159,084)	10,529,741		
TOTAL OTHER FINANCING SOURCES (USES)	16,671,175	16,671,175	3,176,202	11,702,604	14,878,806	(1,792,369)		
NET CHANGE IN FUND BALANCE	(46,550,678)	(46,550,678)	2,729,045	20,152,340	22,881,385	69,432,063		
FUND BALANCE - beginning	46,550,678	46,550,678	50,880,262	53,609,307	50,880,262	4,329,584		
FUND BALANCE - ending	\$ -	\$ -	\$ 53,609,307	\$ 73,761,647	\$ 73,761,647	\$ 73,761,647		
RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS								
Adjustment for unrealized gain (loss) on investments							215,921	
FUND BALANCE - GAAP BASIS - ending							\$ 73,977,568	

(Continued)

CITY OF HILLSBORO, OREGON

TRANSPORTATION FUND

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

YEAR ENDED JUNE 30, 2025

						Variance with Final Budget Positive (Negative)	
	Biennial Budget		Actual		Biennial		
	Original	Final	FY 2024	FY 2025			
REVENUES:							
Intergovernmental	\$ 21,579,000	\$ 21,579,000	\$ 10,910,162	\$ 11,209,010	\$ 22,119,172	\$ 540,172	
Licenses and permits	600,000	600,000	306,593	510,743	817,336	217,336	
Charges for services	21,520,000	21,520,000	11,519,063	8,844,822	20,363,885	(1,156,115)	
Interest and investments	3,467,454	3,467,454	2,383,794	3,130,009	5,513,803	2,046,349	
Grants and donations	286,100	286,100	344,961	193,596	538,557	252,457	
Construction reimbursement	4,349,019	4,349,019	179,847	6,136,370	6,316,217	1,967,198	
Other	600	600	20,596	59,539	80,135	79,535	
TOTAL REVENUES	51,802,173	51,802,173	25,665,016	30,084,089	55,749,105	3,946,932	
EXPENDITURES:							
Personnel services	13,647,990	13,647,990	6,207,411	7,203,849	13,411,260	236,730	
Materials and services	11,718,225	11,718,225	4,684,902	5,442,928	10,127,830	1,590,395	
Capital outlay	79,442,202	79,442,202	4,908,238	13,058,615	17,966,853	61,475,349	
Debt service	1,112,054	1,112,054	-	-	-	1,112,054	
Special payments	6,130,228	6,130,228	2,617,617	2,885,856	5,503,473	626,755	
TOTAL EXPENDITURES	112,050,699	112,050,699	18,418,168	28,591,248	47,009,416	65,041,283	
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(60,248,526)	(60,248,526)	7,246,848	1,492,841	8,739,689	68,988,215	
OTHER FINANCING SOURCES (USES):							
Proceeds from sale of capital assets	-	-	153,601	94,637	248,238	248,238	
Transfers in	4,114,510	4,114,510	800,000	500,000	1,300,000	(2,814,510)	
Transfers out	(4,455,134)	(4,455,134)	(812,057)	(960,349)	(1,772,406)	2,682,728	
TOTAL OTHER FINANCING SOURCES (USES)	(340,624)	(340,624)	141,544	(365,712)	(224,168)	116,456	
NET CHANGE IN FUND BALANCE	(60,589,150)	(60,589,150)	7,388,392	1,127,129	8,515,521	69,104,671	
FUND BALANCE - beginning	60,589,150	60,589,150	66,209,493	73,597,885	66,209,493	5,620,343	
FUND BALANCE - ending	\$ -	\$ -	\$ 73,597,885	\$ 74,725,014	\$ 74,725,014	\$ 74,725,014	
RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS							
Adjustment for unrealized gain (loss) on investments			165,139				
FUND BALANCE - GAAP BASIS - ending	\$ -	\$ -	\$ 74,890,153				

CITY OF HILLSBORO, OREGON

BUILDING FUND

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

YEAR ENDED JUNE 30, 2025

						Variance with Final Budget Positive (Negative)	
	Biennial Budget		Actual		Biennial		
	Original	Final	FY 2024	FY 2025			
REVENUES:							
Licenses and permits	\$ 11,458,000	\$ 11,458,000	\$ 12,030,312	\$ 10,562,074	\$ 22,592,386	\$ 11,134,386	
Interest	2,205,639	2,205,639	1,487,599	2,734,443	4,222,042	2,016,403	
Notes receivable principal collected on interfund loan	15,392,300	15,392,300	1,278,303	16,355,055	17,633,358	2,241,058	
TOTAL REVENUES	29,055,939	29,055,939	14,796,214	29,651,572	44,447,786	15,391,847	
EXPENDITURES:							
Personnel services	13,749,290	14,491,562	6,048,371	6,290,582	12,338,953	2,152,609	
Materials and services	1,748,200	1,748,200	399,191	299,479	698,670	1,049,530	
Capital outlay	34,095,490	13,353,218	538,709	166,392	705,101	12,648,117	
Special payments	6,683,353	6,683,353	2,547,987	2,924,259	5,472,246	1,211,107	
TOTAL EXPENDITURES	56,276,333	36,276,333	9,534,258	9,680,712	19,214,970	17,061,363	
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(27,220,394)	(7,220,394)	5,261,956	19,970,860	25,232,816	32,453,210	
OTHER FINANCING USES:							
Proceeds from sale of capital assets	-	-	-	29,450	31,375	60,825	
Transfers in	160,000	160,000	-	-	-	(160,000)	
Transfers out	(15,238,558)	(15,238,558)	(5,234,640)	(6,260,812)	(11,495,452)	3,743,106	
Interfund loan distribution	-	(20,000,000)	-	(1,500,000)	(1,500,000)	18,500,000	
TOTAL OTHER FINANCING SOURCES (USES)	(15,078,558)	(35,078,558)	(5,205,190)	(7,729,437)	(12,934,627)	22,143,931	
NET CHANGE IN FUND BALANCE	(42,298,952)	(42,298,952)	56,766	12,241,423	12,298,189	54,597,141	
FUND BALANCE - beginning	42,298,952	42,298,952	44,746,077	44,802,843	44,746,077	2,447,125	
FUND BALANCE - ending	\$ -	\$ -	\$ 44,802,843	\$ 57,044,266	\$ 57,044,266	\$ 57,044,266	
RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS							
Adjustment for unrealized gain (loss) on investments						128,170	
Adjustment for interfund loan with governmental funds - Facilities Management Fund						1,500,000	
FUND BALANCE - GAAP BASIS - ending	\$ -	\$ -	\$ 44,802,843	\$ 57,044,266	\$ 57,044,266	\$ 58,672,436	

CITY OF HILLSBORO, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2025

Schedule of Proportionate Share of the Net Other Postemployment Benefit Liability (Asset)

OPERS Retirement Health Insurance Account (RHIA)

Last Nine Fiscal Years¹

	2025	2024	2023	2022		2021	2020	2019	2018	2017
City's proportion of the OPEB liability (asset)	0.6312%	0.5716%	0.4879%	0.5330%		0.5586%	0.6361%	0.6143%	0.5968%	0.6069%
City's proportionate share of the net OPEB liability (asset)	\$ (2,549,347)	\$ (2,093,112)	\$ (1,733,749)	\$ (1,830,392)		\$ (1,138,348)	\$ (1,229,197)	\$ (685,773)	\$ (249,088)	\$ 164,802
City's covered payroll ²	\$ 95,600,000	\$ 88,700,000	\$ 81,400,000	\$ 76,900,000		\$ 73,000,000	\$ 69,400,000	\$ 64,600,000	\$ 61,500,000	\$ 58,100,000
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-2.7%	-2.4%	-2.1%	-2.4%		-1.6%	-1.8%	-1.1%	-0.4%	0.3%
Plan net position as a percentage of the total net OPEB liability	220.6%	201.6%	194.6%	183.9%		150.1%	144.4%	124.0%	108.9%	94.2%

¹10-year trend information required by GASB Statement 75 will be presented prospectively

²Measurement Date is One Year in Arrears

CITY OF HILLSBORO, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2025

Schedule of the City's Contributions

OPERS RHIA

Last Nine Fiscal Years³

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contributions	\$ -	\$ 1,000	\$ 11,000	\$ 12,000	\$ 14,000	\$ 40,000	\$ 315,000	\$ 297,000	\$ 299,000
Contributions in relation to the contractually required contribution	-	(1,000)	(11,000)	(12,000)	(14,000)	(40,000)	(315,000)	(297,000)	(299,000)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 105,300,000	\$ 95,600,000	\$ 88,700,000	\$ 81,400,000	\$ 76,900,000	\$ 73,000,000	\$ 69,400,000	\$ 64,600,000	\$ 61,500,000
Contributions as a percentage of covered payroll	0.00%	0.00%	0.01%	0.01%	0.02%	0.05%	0.45%	0.46%	0.49%

³10-year trend information required by GASB Statement 75 will be presented prospectively

Notes to schedule

Actuarial Assumptions and Methods Used to Actuarially Determined Contributions:

Actuarial Valuation Effective	December 31, 2021 July 2023 - June 2025	December 31, 2019 July 2021 - June 2023	December 31, 2017 July 2019 - June 2021	December 31, 2015 July 2017 - June 2019	December 31, 2013 July 2016 - June 2017
Actuarial cost method:	Entry Age Normal				
Actuarial valuation method:	Fair Value				
Actuarial assumptions:					
Inflation rate	2.40 percent	2.40 percent	2.50 percent	2.50 percent	2.75 percent
Projected salary increases	3.40 percent	3.40 percent	3.50 percent	3.50 percent	3.75 percent
Investment rate of return	6.90 percent	6.90 percent	7.20 percent	7.20 percent	7.75 percent

CITY OF HILLSBORO, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2025

Schedule of Total OPEB Liability
Implicit rate subsidy plan - single-employer plan
Eight Fiscal Years¹

	2025	2024	2023	2022	2021	2020	2019	2018
Service costs	\$ 718,525	\$ 706,784	\$ 634,025	\$ 613,568	\$ 513,430	\$ 463,131	\$ 497,378	\$ 536,666
Interest	473,262	441,622	215,363	208,361	312,795	316,750	313,853	255,395
Changes of assumptions	(1,489,419)	(118,385)	1,481,807	-	387,137	281,666	(1,066,384)	(597,028)
Economic/demographic gains or losses	(1,000,710)	-	514,514	40,466	(465,576)	-	63,406	-
Benefit payments	(594,343)	(508,329)	(321,895)	(357,105)	(357,106)	(361,711)	(350,832)	(350,019)
Net change in total OPEB liability	(1,892,685)	521,692	2,523,814	505,290	390,680	699,836	(542,579)	(154,986)
Total OPEB liability - beginning	<u>12,542,073</u>	<u>12,020,381</u>	<u>9,496,567</u>	<u>8,991,277</u>	<u>8,600,597</u>	<u>7,900,761</u>	<u>8,443,340</u>	<u>8,598,326</u>
Total OPEB liability - ending	<u>\$ 10,649,388</u>	<u>\$ 12,542,073</u>	<u>\$ 12,020,381</u>	<u>\$ 9,496,567</u>	<u>\$ 8,991,277</u>	<u>\$ 8,600,597</u>	<u>\$ 7,900,761</u>	<u>\$ 8,443,340</u>
Covered-employee payroll	\$ 95,600,000	\$ 88,700,000	\$ 81,400,000	\$ 76,900,000	\$ 73,000,000	\$ 69,400,000	\$ 64,600,000	\$ 61,500,000
Total OPEB liability as a percentage of covered-employee payroll	11.1%	14.1%	14.8%	12.3%	12.3%	12.4%	12.2%	13.7%

¹ 10-year trend information required by GASB Statement 75 will be presented prospectively

Notes to schedule

Implicit Rate Subsidy

Contributions are not based on a measure of pay, therefore the covered-employee payroll is used in the percentages above.

Changes in Assumptions

Changes of assumptions and other inputs reflect the effects of changes in the discount rate.

	2025	2024	2023	2022	2021	2020	2019	2018
Discount Rate Used	3.93%	3.65%	3.54%	2.16%	2.21%	3.50%	3.87%	3.58%

Assets of the Plan

There are no assets accumulated in a trust to pay related benefits for the OPEB plan.

CITY OF HILLSBORO, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2025

Schedule of the City's Proportionate Share of the Net Pension Liability (Asset)
Oregon Public Employees Retirement System
Last Ten Fiscal Years

	Measurement Date is One Year in Arrears				2021		2020		2019		2018		2017		2016	
	2025	2024	2023	2022												
City's proportion of the net pension liability (asset)	0.6862%	0.7652%	0.6520%	0.6100%		0.5757%		0.5957%		0.5434%		0.5474%		0.5769%		0.6232%
City's proportionate share of the net pension liability (asset)	\$ 152,524,822	\$ 143,329,252	\$ 99,830,671	\$ 72,999,105		\$ 125,640,315		\$ 103,049,441		\$ 82,321,486		\$ 73,783,664		\$ 86,612,324		\$ 35,782,477
City's covered payroll	\$ 95,600,000	\$ 88,700,000	\$ 81,400,000	\$ 76,900,000		\$ 73,000,000		\$ 69,400,000		\$ 64,600,000		\$ 61,500,000		\$ 58,100,000		\$ 55,589,000
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	159.5%	161.6%	122.6%	94.9%		172.1%		148.5%		127.4%		120.0%		149.1%		64.4%
Plan fiduciary net position as a percentage of the total pension liability	79.3%	81.7%	84.5%	87.6%		75.8%		80.2%		82.1%		83.1%		80.5%		91.9%

CITY OF HILLSBORO, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2025

**Schedule of the City's Contributions
Oregon Public Employees Retirement System
Last Ten Fiscal Years**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contributions	\$ 23,664,000	\$ 20,925,000	\$ 18,241,000	\$ 16,784,000	\$ 14,102,000	\$ 13,303,000	\$ 10,412,000	\$ 9,715,000	\$ 7,946,000	\$ 7,410,000
Contributions in relation to the contractually required contribution	<u>(23,664,000)</u>	<u>(20,925,000)</u>	<u>(18,241,000)</u>	<u>(16,784,000)</u>	<u>(14,102,000)</u>	<u>(13,303,000)</u>	<u>(10,412,000)</u>	<u>(9,715,000)</u>	<u>(7,946,000)</u>	<u>(7,410,000)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 105,300,000	\$ 95,600,000	\$ 88,700,000	\$ 81,400,000	\$ 76,900,000	\$ 73,000,000	\$ 69,400,000	\$ 64,600,000	\$ 61,500,000	\$ 58,100,000
Contributions as a percentage of covered payroll	22.47%	21.89%	20.56%	20.62%	18.34%	18.22%	15.00%	15.04%	12.92%	12.75%

CITY OF HILLSBORO, OREGON

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2025

Budget

Required Supplementary Information includes budgetary comparisons for the General, Transportation, Hillsboro Economic Development Council North Hillsboro Industrial, and Building Funds. The budgetary comparison information for all other funds can be found in Other Supplementary Information which follows this section.

The City is required by state law to budget substantially all funds. With the exception of adjusting investments to fair value, budgets for all funds are prepared on the modified accrual basis of accounting. Beginning with last fiscal year, biennial budgets (previously annual) are adopted. The ordinance authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The ordinance established the level of budgetary control at the department for the General Fund (proper, Fund 100 only) and Support Services Fund. All remaining funds of the City establish the levels of budgetary control at the category level (personnel services, materials and services, capital outlay, special payments, operating contingencies, debt service, and all other requirements levels). All appropriations lapse at the end of the biennium.

The detail budget document, however, is required to contain more specific, detailed information for the aforementioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriations ordinance. Supplemental budgets less than 10% of the fund's original budget may be adopted by the Board of Councilors at a regular 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 the levels of control. Such transfers require approval by the Board of Councilors for the City and Board of Directors for HEDC, respectively. The City adopted two supplemental budgets and made several appropriation transfers during the year ended June 30, 2025.

The City over-expended its appropriations in the following Fund and category:

<u>Fund</u>	<u>Category</u>	<u>Over-expended</u>
General Fund	COVID-19 response - materials and services	\$ 30,122
Intermodal Transit Facility	Materials and services	4,729

Pension Liability (Asset) and Other Post-employment Benefits Liability (Asset)

The information is intended to help users assess the City's retirement pension plan (OPERS) and OPEB plans' status on a going-concern basis, and assess progress made in accumulating assets to pay benefits when due. OPERS publishes an independently audited ACFR that can be obtained at:

<https://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

Additional details and a comprehensive list of changes for OPERS methods and assumptions can be found in the Experience Studies for OPERS and can be found at:

<https://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

CITY OF HILLSBORO, OREGON

HILLSBORO ECONOMIC DEVELOPMENT COUNCIL NORTH HILLSBORO INDUSTRIAL FUND

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

YEAR ENDED JUNE 30, 2025

	Biennial Budget					Variance with Final Budget Positive (Negative)
	Original	Final	FY 2024	FY 2025	Biennial	
REVENUES:						
Development charges	\$ -	\$ -	\$ -	\$ 1,616,801	\$ 1,616,801	1,616,801
Interest and investments	335,000	335,000	910,585	286,627	1,197,212	862,212
Other	-	-	1,140	-	1,140	1,140
TOTAL REVENUES	335,000	335,000	911,725	1,903,428	2,815,153	2,480,153
EXPENDITURES:						
Personnel services	659,815	659,815	244,177	274,128	518,305	141,510
Materials and services	3,325,000	1,325,000	77,915	11,226	89,141	1,235,859
Capital outlay	48,324,040	91,823,540	68,960,143	21,852,516	90,812,659	1,010,881
Special payments	-	3,140,043	3,123,605	-	3,123,605	16,438
TOTAL EXPENDITURES	52,308,855	96,948,398	72,405,840	22,137,870	94,543,710	2,404,688
DEFICIENCY OF REVENUES UNDER EXPENDITURES						
	(51,973,855)	(96,613,398)	(71,494,115)	(20,234,442)	(91,728,557)	4,884,841
OTHER FINANCING SOURCE:						
Transfers in	6,000,000	8,000,000	3,000,000	5,000,000	8,000,000	-
Transfers out	-	(500,457)	(500,457)	-	(500,457)	-
Issuance of debt	40,000,000	83,140,000	83,140,000	-	83,140,000	-
TOTAL OTHER FINANCING SOURCES	46,000,000	90,639,543	85,639,543	5,000,000	90,639,543	-
NET CHANGE IN FUND BALANCE						
	(5,973,855)	(5,973,855)	14,145,428	(15,234,442)	(1,089,014)	4,884,841
FUND BALANCE - beginning	5,973,855	5,973,855	6,147,932	20,293,360	6,147,932	174,077
FUND BALANCE - ending	\$ -	\$ -	\$ 20,293,360	\$ 5,058,918	\$ 5,058,918	\$ 5,058,918
RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS						
Adjustment for land held for resale					<u>148,661,014</u>	
FUND BALANCE - GAAP BASIS - ending	\$ -	\$ -	\$ 20,293,360	\$ 5,058,918	\$ 5,058,918	\$ 153,719,932

CITY OF HILLSBORO, OREGON

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2025

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
ASSETS:				
Cash and cash equivalents	\$ 2,375,560	\$ 18,825,600	\$ 1,270,902	\$ 22,472,062
Collections held by county treasurer	-	42,365	-	42,365
Investments	34,608,031	565,812	6,766,275	41,940,118
Accounts receivable	101,417	9,818,223	84,556	10,004,196
Interest receivable	226,053	118,786	48,920	393,759
TOTAL ASSETS	<u>\$ 37,311,061</u>	<u>\$ 29,370,786</u>	<u>\$ 8,170,653</u>	<u>\$ 74,852,500</u>
LIABILITIES:				
Accounts payable	\$ 34,941	\$ -	\$ 181,766	\$ 216,707
Accrued payroll payable	-	-	9,000	9,000
Deposits payable	<u>15,261</u>	<u>-</u>	<u>-</u>	<u>15,261</u>
TOTAL LIABILITIES	<u>50,202</u>	<u>-</u>	<u>190,766</u>	<u>240,968</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue, SDCs	66,614	-	-	66,614
Unavailable revenue, property taxes	-	237,812	-	237,812
Unavailable revenue, assessments	-	9,520,770	-	9,520,770
Unavailable revenue, other	2,982	-	1,500	4,482
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>69,596</u>	<u>9,758,582</u>	<u>1,500</u>	<u>9,829,678</u>
FUND BALANCES:				
Restricted	37,191,263	19,612,204	3,530,680	60,334,147
Assigned	-	-	4,447,707	4,447,707
TOTAL FUND BALANCES	<u>37,191,263</u>	<u>19,612,204</u>	<u>7,978,387</u>	<u>64,781,854</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 37,311,061</u>	<u>\$ 29,370,786</u>	<u>\$ 8,170,653</u>	<u>\$ 74,852,500</u>

CITY OF HILLSBORO, OREGON

NON-MAJOR GOVERNMENTAL FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES**

YEAR ENDED JUNE 30, 2025

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total
REVENUES:				
Charges for services	\$ 7,402,514	\$ -	\$ 459,403	\$ 7,861,917
Gain share contributions	-	-	6,491,046	6,491,046
Taxes	-	19,955,523	-	19,955,523
Interest and investments	1,932,040	1,562,496	450,285	3,944,821
Note receivable principal collected	-	-	30,053	30,053
Grants and other	661,778	1,082,082	516,017	2,259,877
TOTAL REVENUES	9,996,332	22,600,101	7,946,804	40,543,237
EXPENDITURES:				
General government	10,039	-	1,942,423	1,952,462
Public safety and judicial	101,215	-	-	101,215
Community service	647,902	-	-	647,902
Capital outlay	-	-	1,482,014	1,482,014
Special payments	-	650	151,642	152,292
Debt service	39,778	11,075,110	-	11,114,888
TOTAL EXPENDITURES	798,934	11,075,760	3,576,079	15,450,773
EXCESS OF REVENUES OVER EXPENDITURES				
	9,197,398	11,524,341	4,370,725	25,092,464
OTHER FINANCING SOURCES (USES):				
Transfers in	1,850,000	-	3,775,000	5,625,000
Transfers out	(3,850,000)	(5,900,000)	(5,224,323)	(14,974,323)
Reclassified land held for resale	-	-	(1,105,911)	(1,105,911)
TOTAL OTHER FINANCING SOURCES (USES)	(2,000,000)	(5,900,000)	(2,555,234)	(10,455,234)
NET CHANGE IN FUND BALANCES	7,197,398	5,624,341	1,815,491	14,637,230
FUND BALANCES - beginning	29,993,865	13,987,863	6,162,896	50,144,624
FUND BALANCES - ending	\$ 37,191,263	\$ 19,612,204	\$ 7,978,387	\$ 64,781,854

NON-MAJOR SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Police Forfeiture Fund: This fund accounts for the revenues received from state and Federal forfeitures and donations.

Cadet Fund: This fund accounts for the revenues and expenditures for the Police Cadet Program, to expand the existing cadet program and to create a scholarship program for cadets planning to study criminal justice.

Parks Mitigation Fund: This fund accounts for parks mitigation donations and grants given to the City for ongoing maintenance of completed wetland mitigation projects.

Parks SDC Fund: This fund accounts for parks system development charges (SDC). Parks SDCs are charged when a building permit is issued for any new construction, additions, alterations, or change in use. Fees collected are used to fund the acquisition and development of capacity-expanding parks and recreation land and facilities that accommodate the community's growth.

Parks Supplemental SDC Fund: This fund accounts for the system develop charges revenues received from new development in the South Hillsboro area of the City, and capital expenditures for Parks' system growth in that area.

Community Development Block Grant Fund: This fund accounts for revenues and expenditures related to the federally funded Community Development Block Grant.

CITY OF HILLSBORO, OREGON

NON-MAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2025

	Police Forfeiture Fund	Cadet Fund	Parks Mitigation Fund	Parks System Development Charges	Parks Supplemental SDC Fund	Community Development Block Grant Fund	Total
ASSETS:							
Cash and cash equivalents	\$ 8,007	\$ 65,393	\$ 11,327	\$ 1,880,092	\$ 410,549	\$ 192	\$ 2,375,560
Investments	116,641	952,663	165,009	27,389,891	5,981,037	2,790	34,608,031
Interest receivable	762	6,223	1,078	178,920	39,070	-	226,053
Accounts receivable	-	-	-	66,614	-	34,803	101,417
TOTAL ASSETS	\$ 125,410	\$ 1,024,279	\$ 177,414	\$ 29,515,517	\$ 6,430,656	\$ 37,785	\$ 37,311,061
LIABILITIES:							
Accounts payable	\$ -	\$ 138	\$ -	\$ -	\$ -	\$ 34,803	\$ 34,941
Deposits Payable	15,261	-	-	-	-	-	15,261
TOTAL LIABILITIES	15,261	138	-	-	-	34,803	50,202
DEFERRED INFLOWS OF RESOURCES:							
Unavailable revenue, SDCs	-	-	-	66,614	-	-	66,614
Unavailable revenue, other	-	-	-	-	-	2,982	2,982
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	66,614	-	2,982	69,596
FUND BALANCES:							
Restricted	110,149	1,024,141	177,414	29,448,903	6,430,656	-	37,191,263
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 125,410	\$ 1,024,279	\$ 177,414	\$ 29,515,517	\$ 6,430,656	\$ 37,785	\$ 37,311,061

CITY OF HILLSBORO, OREGON

NON-MAJOR SPECIAL REVENUE FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES**

YEAR ENDED JUNE 30, 2025

	Police Forfeiture Fund	Cadet Fund	Parks Mitigation Fund	Parks System Development Charges	Parks Supplemental SDC Fund	Community Development Block Grant Fund	Total
REVENUES:							
Charges for services	\$ -	\$ -	\$ -	\$ 3,736,155	\$ 3,666,359	\$ -	\$ 7,402,514
Interest and investments	7,446	55,119	9,713	1,532,167	327,595	-	1,932,040
Grants and donations	-	12,827	-	-	-	647,902	660,729
Other	1,049	-	-	-	-	-	1,049
TOTAL REVENUES	8,495	67,946	9,713	5,268,322	3,993,954	647,902	9,996,332
EXPENDITURES:							
General government	-	-	10,039	-	-	-	10,039
Public safety and judicial	52,712	48,503	-	-	-	-	101,215
Community service	-	-	-	-	-	647,902	647,902
Debt service	-	-	-	39,778	-	-	39,778
TOTAL EXPENDITURES	52,712	48,503	10,039	39,778	-	647,902	798,934
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER)	(44,217)	19,443	(326)	5,228,544	3,993,954	-	9,197,398
OTHER FINANCING SOURCES (USES):							
Transfers in	-	-	-	1,850,000	-	-	1,850,000
Transfers out	-	-	-	(2,000,000)	(1,850,000)	-	(3,850,000)
TOTAL OTHER FINANCING SOURCES (USES):	-	-	-	(150,000)	(1,850,000)	-	(2,000,000)
NET CHANGE IN FUND BALANCES	(44,217)	19,443	(326)	5,078,544	2,143,954	-	7,197,398
FUND BALANCES - beginning	154,366	1,004,698	177,740	24,370,359	4,286,702	-	29,993,865
FUND BALANCES - ending	\$ 110,149	\$ 1,024,141	\$ 177,414	\$ 29,448,903	\$ 6,430,656	\$ -	\$ 37,191,263

CITY OF HILLSBORO, OREGON

POLICE FORFEITURE FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS**

YEAR ENDED JUNE 30, 2025

REVENUES:	Biennial Budget					Variance with Final Budget Positive (Negative)
	Original	Final	FY 2024	FY 2025	Biennial	
Interest and investments	\$ 3,000	\$ 3,000	\$ 5,405	\$ 5,100	\$ 10,505	\$ 7,505
Other	-	-	7,262	1,049	8,311	8,311
TOTAL REVENUES	3,000	3,000	12,667	6,149	18,816	15,816
EXPENDITURES:						
Materials and services	146,770	86,770	-	-	-	86,770
Capital outlay	-	60,000	-	52,712	52,712	7,288
TOTAL EXPENDITURES	146,770	146,770	-	52,712	52,712	94,058
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND NET CHANGE IN FUND BALANCE	(143,770)	(143,770)	12,667	(46,563)	(33,896)	109,874
FUND BALANCE - beginning	143,770	143,770	143,773	156,440	143,773	3
FUND BALANCE - ending	\$ -	\$ -	\$ 156,440	\$ 109,877	\$ 109,877	\$ 109,877

RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

Adjustment for unrealized gain (loss) on investments	272
FUND BALANCE - GAAP BASIS - ending	\$ 110,149

CITY OF HILLSBORO, OREGON

CADET FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS**

YEAR ENDED JUNE 30, 2025

REVENUES:	Biennial Budget					Variance with Final Budget Positive (Negative)
	Original	Final	FY 2024	FY 2025	Biennial	
Interest and investments	\$ 17,000	\$ 17,000	\$ 32,163	\$ 41,053	\$ 73,216	\$ 56,216
Grants and donations	5,000	5,000	6,588	12,827	19,415	14,415
Other	-	-	7,735	-	7,735	7,735
TOTAL REVENUES	22,000	22,000	46,486	53,880	100,366	78,366
EXPENDITURES:						
Personnel services	96,380	96,380	13,403	25,546	38,949	57,431
Materials and services	62,500	62,500	18,502	22,957	41,459	21,041
Contingency	100,000	100,000	-	-	-	100,000
TOTAL EXPENDITURES	258,880	258,880	31,905	48,503	80,408	178,472
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND NET CHANGE IN FUND BALANCE	(236,880)	(236,880)	14,581	5,377	19,958	256,838
FUND BALANCE - beginning	980,940	980,940	1,001,960	1,016,541	1,001,960	21,020
FUND BALANCE - ending	\$ 744,060	\$ 744,060	\$ 1,016,541	\$ 1,021,918	\$ 1,021,918	\$ 277,858

RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

Adjustment for unrealized gain (loss) on investments	223
FUND BALANCE - GAAP BASIS - ending	\$ 1,024,141

CITY OF HILLSBORO, OREGON

PARKS MITIGATION FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS**

YEAR ENDED JUNE 30, 2025

	Biennial Budget						Variance with Final Budget Positive (Negative)
	Original	Final	FY 2024	FY 2025	Biennial		
REVENUES:							
Interest and investments	\$ 4,000	\$ 4,000	\$ 5,760	\$ 7,233	\$ 12,993	\$ 8,993	
EXPENDITURES:							
Materials and services	100,000	100,000	8,281	10,039	18,320	81,680	
Capital outlay	72,900	72,900	-	-	-	72,900	
TOTAL EXPENDITURES	172,900	172,900	8,281	10,039	18,320	154,580	
DEFICIENCY OF REVENUES UNDER EXPENDITURES AND NET CHANGE IN FUND BALANCE							
	(168,900)	(168,900)	(2,521)	(2,806)	(5,327)	163,573	
FUND BALANCE - beginning	168,900	168,900	182,356	179,835	182,356	13,456	
FUND BALANCE - ending	\$ -	\$ -	\$ 179,835	\$ 177,029	\$ 177,029	\$ 177,029	

RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

Adjustment for unrealized gain (loss) on investments	385
FUND BALANCE - GAAP BASIS - ending	\$ 177,414

CITY OF HILLSBORO, OREGON

PARKS SYSTEM DEVELOPMENT CHARGES

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS**

YEAR ENDED JUNE 30, 2025

	Biennial Budget						Variance with Final Budget Positive (Negative)
	Original	Final	FY 2024	FY 2025	Biennial		
REVENUES:							
Charges for services	\$ 8,000,000	\$ 8,000,000	\$ 4,170,627	\$ 3,736,155	\$ 7,906,782	\$ (93,218)	
Interest and investments	876,000	876,000	811,932	1,150,046	1,961,978	1,085,978	
TOTAL REVENUES	8,876,000	8,876,000	4,982,559	4,886,201	9,868,760	992,760	
EXPENDITURES:							
Capital outlay	11,699,700	10,374,700	-	-	-	-	10,374,700
Debt service	2,700,000	4,025,000	1,350,000	2,664,319	4,014,319	10,681	
TOTAL EXPENDITURES	14,399,700	14,399,700	1,350,000	2,664,319	4,014,319	10,385,381	
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES							
	(5,523,700)	(5,523,700)	3,632,559	2,221,882	5,854,441	11,378,141	
OTHER FINANCING USES:							
Transfers in	4,400,000	4,400,000	2,550,000	1,850,000	4,400,000	-	
Transfers out	(17,750,000)	(17,750,000)	(2,000,000)	(2,000,000)	(4,000,000)	13,750,000	
TOTAL OTHER FINANCING SOURCES (USES)	(13,350,000)	(13,350,000)	550,000	(150,000)	400,000	13,750,000	
NET CHANGE IN FUND BALANCE							
	(18,873,700)	(18,873,700)	4,182,559	2,071,882	6,254,441	25,128,141	
FUND BALANCE - beginning	18,873,700	18,873,700	23,130,543	27,313,102	23,130,543	4,256,843	
FUND BALANCE - ending	\$ -	\$ -	\$ 27,313,102	\$ 29,384,984	\$ 29,384,984	\$ 29,384,984	

RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

Adjustment for unrealized gain (loss) on investments	63,919
FUND BALANCE - GAAP BASIS - ending	\$ 29,448,903

CITY OF HILLSBORO, OREGON

PARKS SUPPLEMENTAL SDC FUND

**SCHEDULE OF REVENUES
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS**

YEAR ENDED JUNE 30, 2025

						Variance with Final Budget Positive (Negative)	
	Biennial Budget		Actual		Biennial		
	Original	Final	FY 2024	FY 2025			
REVENUES:							
Charges for services	\$ 2,500,000	\$ 2,500,000	\$ 3,777,377	\$ 3,666,359	\$ 7,443,736	\$ 4,943,736	
Interest and investments	54,000	54,000	184,748	263,020	447,768	393,768	
TOTAL REVENUES	2,554,000	2,554,000	3,962,125	3,929,379	7,891,504	5,337,504	
EXPENDITURES:							
Capital outlay	578,800	578,800	-	-	-	578,800	
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,975,200	1,975,200	3,962,125	3,929,379	7,891,504	5,916,304	
OTHER FINANCING SOURCES:							
Transfers out	(4,400,000)	(4,400,000)	(2,550,000)	(1,850,000)	(4,400,000)	-	
DEFICIENCY OF REVENUES UNDER EXPENDITURES AND NET CHANGE IN FUND BALANCE	(2,424,800)	(2,424,800)	1,412,125	2,079,379	3,491,504	5,916,304	
FUND BALANCE - beginning	2,424,800	2,424,800	2,925,194	4,337,319	2,925,194	500,394	
FUND BALANCE - ending	\$ -	\$ -	\$ 4,337,319	\$ 6,416,698	\$ 6,416,698	\$ 6,416,698	

RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

Adjustment for unrealized gain (loss) on investments	<u>13,958</u>
FUND BALANCE - GAAP BASIS - ending	<u>\$ 6,430,656</u>

CITY OF HILLSBORO, OREGON

COMMUNITY DEVELOPMENT BLOCK GRANT FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS**

YEAR ENDED JUNE 30, 2025

						Variance with Final Budget Positive (Negative)	
	Biennial Budget		Actual		Biennial		
	Original	Final	FY 2024	FY 2025			
REVENUES:							
Grants and donations	\$ 1,655,100	\$ 2,235,100	\$ 1,385,967	\$ 647,902	\$ 2,033,869	\$ (201,231)	
EXPENDITURES:							
Materials and services	1,655,100	2,235,100	1,385,967	647,902	2,033,869	201,231	
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND NET CHANGE IN FUND BALANCE	-	-	-	-	-	-	
FUND BALANCE - beginning	-	-	-	-	-	-	
FUND BALANCE - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

CITY OF HILLSBORO, OREGON

NON-MAJOR DEBT SERVICE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2025

NON-MAJOR DEBT SERVICE FUNDS

The Debt Service Funds are used to account for the accumulation of resources for the payment of tax increment bond principal and interest and other contractual debt.

Hillsboro Economic Development Council Downtown Hillsboro Tax Increment Fund: This fund accounts for the payment of principal and interest on tax increment bonds and other contractual obligations for the Downtown Hillsboro Urban Renewal Agency.

Hillsboro Economic Development Council North Hillsboro Industrial Tax Increment Fund: This fund accounts for the payment of principal and interest on tax increment bonds and other contractual obligations for the North Hillsboro Industrial Urban Renewal Agency.

South Hillsboro Local Improvement District Fund: This fund accounts for the revenue collected and the contractual requirements of the South Hillsboro Local Improvement District. Local Improvement District bonds were issued in this fund and are being repaid by property owners in this District.

ASSETS

Cash and cash equivalents
Collections held by county treasurer
Investments
Accounts receivable
Interest receivable

TOTAL ASSETS

Hillsboro Economic Development Council		South Hillsboro Local Improvement District Fund		Total
Downtown Hillsboro Tax Increment Fund	North Hillsboro Industrial Tax Increment Fund			
\$ 3,500,051	\$ 15,286,711	\$ 38,838	\$ 18,825,600	
5,576	36,789	-	42,365	
-	-	565,812	565,812	
41,040	256,413	9,520,770	9,818,223	
21,442	93,648	3,696	118,786	
\$ 3,568,109	\$ 15,673,561	\$ 10,129,116	\$ 29,370,786	

DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES

DEFERRED INFLOWS OF RESOURCES:
Unavailable revenue, property taxes
Unavailable revenue, assessments

TOTAL DEFERRED INFLOWS OF RESOURCES

\$ 33,176	\$ 204,636	\$ -	\$ 237,812
-	-	9,520,770	9,520,770

FUND BALANCES:

Restricted

TOTAL FUND BALANCES

3,534,933	15,468,925	608,346	19,612,204
3,534,933	15,468,925	608,346	19,612,204

TOTAL DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES

\$ 3,568,109	\$ 15,673,561	\$ 10,129,116	\$ 29,370,786
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CITY OF HILLSBORO, OREGON

NON-MAJOR DEBT SERVICE FUNDS

COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2025

	Hillsboro Economic Development Council				
	Downtown Hillsboro Tax Increment Fund	North Hillsboro Industrial Tax Increment Fund	South Hillsboro Local Improvement District Fund	Total	
REVENUES:					
Taxes	\$ 2,513,776	\$ 17,441,747	\$ -	\$ 19,955,523	
Interest and investments	148,286	816,014	598,196	1,562,496	
Other	451	2,553	1,079,078	1,082,082	
TOTAL REVENUES	2,662,513	18,260,314	1,677,274	22,600,101	
EXPENDITURES:					
Special payments	650	-	-	650	
Debt service	-	9,406,991	1,668,119	11,075,110	
TOTAL EXPENDITURES	-	9,407,641	1,668,119	11,075,760	
EXCESS OF REVENUES OVER EXPENDITURES	2,662,513	8,852,673	9,155	11,524,341	
OTHER FINANCING SOURCES (USES):					
Transfers out	(900,000)	(5,000,000)	-	(5,900,000)	
TOTAL OTHER FINANCING SOURCES (USES)	(900,000)	(5,000,000)	-	(5,900,000)	
NET CHANGE IN FUND BALANCES	1,762,513	3,852,673	9,155	5,624,341	
FUND BALANCES - beginning	1,772,420	11,616,252	599,191	13,987,863	
FUND BALANCES - ending	\$ 3,534,933	\$ 15,468,925	\$ 608,346	\$ 19,612,204	

CITY OF HILLSBORO, OREGON

HILLSBORO ECONOMIC DEVELOPMENT COUNCIL DOWNTOWN HILLSBORO TAX INCREMENT FUND

SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2025

	Biennial Budget					Variance with Final Budget Positive (Negative)
	Original	Final	FY 2024	FY 2025	Biennial	
REVENUES:						
Property taxes - current	\$ 4,431,270	\$ 4,431,270	\$ 2,474,355	\$ 2,493,630	\$ 4,967,985	\$ 536,715
Property taxes - prior year	40,000	40,000	21,485	20,146	41,631	1,631
Interest and investments	100,700	100,700	72,998	148,286	221,284	120,584
Other	-	-	502	451	953	953
TOTAL REVENUES	4,571,970	4,571,970	2,569,340	2,662,513	5,231,853	659,883
EXPENDITURES:						
Debt service	2,017,880	2,017,880	-	-	-	2,017,880
Contingency	877,000	877,000	-	-	-	877,000
TOTAL EXPENDITURES	2,894,880	2,894,880	-	-	-	2,894,880
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES						
	1,677,090	1,677,090	2,569,340	2,662,513	5,231,853	3,554,763
OTHER FINANCING USES:						
Transfers out	(2,000,000)	(2,000,000)	(1,100,000)	(900,000)	(2,000,000)	-
NET CHANGE IN FUND BALANCE	(322,910)	(322,910)	1,469,340	1,762,513	3,231,853	3,554,763
FUND BALANCE - beginning	322,910	322,910	303,080	1,772,420	303,080	(19,830)
FUND BALANCE - ending	\$ -	\$ -	\$ 1,772,420	\$ 3,534,933	\$ 3,534,933	\$ 3,534,933

CITY OF HILLSBORO, OREGON

HILLSBORO ECONOMIC DEVELOPMENT COUNCIL NORTH HILLSBORO INDUSTRIAL TAX INCREMENT FUND

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

YEAR ENDED JUNE 30, 2025

						Variance with Final Budget Positive (Negative)	
	Biennial Budget		Actual		Biennial		
	Original	Final	FY 2024	FY 2025			
REVENUES:							
Property taxes - current	\$ 21,457,880	\$ 21,457,880	\$ 14,653,424	\$ 17,328,424	\$ 31,981,848	\$ 10,523,968	
Property taxes - prior year	104,545	104,545	99,439	113,323	212,762	108,217	
Interest and investments	200,000	200,000	483,528	816,014	1,299,542	1,099,542	
Other	-	-	2,242	2,553	4,795	4,795	
TOTAL REVENUES	21,762,425	21,762,425	15,238,633	18,260,314	33,498,947	11,736,522	
EXPENDITURES:							
Capital outlay	5,571,327	3,351,327	-	-	-	3,351,327	
Special payments	400,000	400,000	-	650	650	399,350	
Debt service	14,691,503	14,911,503	5,499,326	9,406,991	14,906,317	5,186	
TOTAL EXPENDITURES	20,662,830	18,662,830	5,499,326	9,407,641	14,906,967	3,755,863	
EXCESS OF REVENUES OVER EXPENDITURES	1,099,595	3,099,595	9,739,307	8,852,673	18,591,980	15,492,385	
OTHER FINANCING USES:							
Transfers out	(6,000,000)	(8,000,000)	(3,000,000)	(5,000,000)	(8,000,000)	-	
NET CHANGE IN FUND BALANCE	(4,900,405)	(4,900,405)	6,739,307	3,852,673	10,591,980	15,492,385	
FUND BALANCE - beginning	4,900,405	4,900,405	4,876,945	11,616,252	4,876,945	(23,460)	
FUND BALANCE - ending	\$ -	\$ -	\$ 11,616,252	\$ 15,468,925	\$ 15,468,925	\$ 15,468,925	

CITY OF HILLSBORO, OREGON

SOUTH HILLSBORO LOCAL IMPROVEMENT DISTRICT FUND

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

YEAR ENDED JUNE 30, 2025

						Variance with Final Budget Positive (Negative)	
	Biennial Budget		Actual		Biennial		
	Original	Final	FY 2024	FY 2025			
REVENUES:							
Interest and investments	\$ -	\$ -	\$ 694,224	\$ 589,813	\$ 1,284,037	\$ 1,284,037	
Assessments	2,000,000	5,185,000	2,098,511	1,079,078	3,177,589	(2,007,411)	
TOTAL REVENUES	2,000,000	5,185,000	2,792,735	1,668,891	4,461,626	(723,374)	
EXPENDITURES:							
Capital outlay	804,415	804,415	-	-	-	804,415	
Debt service	1,988,000	5,173,000	3,267,087	1,668,119	4,935,206	237,794	
TOTAL EXPENDITURES	2,792,415	5,977,415	3,267,087	1,668,119	4,935,206	1,042,209	
EXCESS OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE							
	(792,415)	(792,415)	(474,352)	772	(473,580)	318,835	
FUND BALANCE - beginning	792,415	792,415	1,080,606	606,254	1,080,606	288,191	
FUND BALANCE - ending	\$ -	\$ -	\$ 606,254	\$ 607,026	\$ 607,026	\$ 607,026	
RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS							
Adjustment for unrealized gain (loss) on investments						1,320	
FUND BALANCE - GAAP BASIS - ending	\$ -	\$ -	\$ 608,346				

CITY OF HILLSBORO, OREGON

NON-MAJOR CAPITAL PROJECTS FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2025

NON-MAJOR CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

Hillsboro Economic Development Council Downtown Hillsboro Fund: This fund accounts for the purchase and sale of land and the construction of infrastructure and other assets in the downtown area of the City. The major financing sources are intergovernmental and interest earnings.

Parks Capital Fund: This fund is used to account for park development. Resources are provided by federal and state grants and parks system development charges.

South Hillsboro Community Service Fee Capital Fund: This fund is used to account for park development in the South Hillsboro area of the City. Resources are provided by charges for services billed to residents of the area.

Gain Share Capital Fund: This fund is used to account for gain share revenues and is designated for certain City capital projects.

	Hillsboro Economic Development Council Downtown Hillsboro	Parks Capital	South Hillsboro Community Service Capital	Gain Share Capital	Total
ASSETS					
Cash and cash equivalents	\$ 806,452	\$ 77,948	\$ 102,549	\$ 283,953	\$ 1,270,902
Investments	-	1,135,575	1,493,968	4,136,732	6,766,275
Accounts receivable	18,555	-	66,001	-	84,556
Interest receivable	4,721	7,418	9,759	27,022	48,920
TOTAL ASSETS	\$ 829,728	\$ 1,220,941	\$ 1,672,277	\$ 4,447,707	\$ 8,170,653
LIABILITIES:					
Accounts payable	\$ 126,927	\$ 54,839	\$ -	\$ -	\$ 181,766
Accrued payroll payable	-	9,000	-	-	9,000
TOTAL LIABILITIES	126,927	63,839	-	-	190,766
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue, other	1,500	-	-	-	1,500
FUND BALANCES:					
Restricted	701,301	1,157,102	1,672,277	-	3,530,680
Assigned	-	-	-	4,447,707	4,447,707
TOTAL FUND BALANCES	701,301	1,157,102	1,672,277	4,447,707	7,978,387
TOTAL LIABILITIES, AND FUND BALANCES	\$ 829,728	\$ 1,220,941	\$ 1,672,277	\$ 4,447,707	\$ 8,170,653

CITY OF HILLSBORO, OREGON

NON-MAJOR CAPITAL PROJECTS FUNDS

COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2025

	Hillsboro Economic Development Council Downtown Hillsboro	Parks Capital	South Hillsboro Community Service Capital	Gain Share Capital	Total
REVENUES:					
Gain share contributions	\$ -	\$ -	\$ -	\$ 6,491,046	\$ 6,491,046
Charges for services			459,403		459,403
Interest and investments	34,528	46,567	74,820	294,370	450,285
Note receivable principal collected	30,053	-	-	-	30,053
Grants and other	154,549	361,468	-	-	516,017
TOTAL REVENUES	219,130	408,035	534,223	6,785,416	7,946,804
EXPENDITURES:					
General government	1,211,383	731,040	-	-	1,942,423
Capital outlay	-	1,482,014	-	-	1,482,014
Special payments	-	-	-	151,642	151,642
TOTAL EXPENDITURES	1,211,383	2,213,054	-	151,642	3,576,079
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
	(992,253)	(1,805,019)	534,223	6,633,774	4,370,725
OTHER FINANCING SOURCES (USES):					
Transfers in	900,000	2,000,000	-	875,000	3,775,000
Transfers out	(350,000)	-	-	(4,874,323)	(5,224,323)
Reclassified land held for resale	(1,105,911)	-	-	-	(1,105,911)
TOTAL OTHER FINANCING SOURCES (USES)	(555,911)	2,000,000	-	(3,999,323)	(2,555,234)
NET CHANGE IN FUND BALANCES	(1,548,164)	194,981	534,223	2,634,451	1,815,491
FUND BALANCES - beginning	2,249,465	962,121	1,138,054	1,813,256	6,162,896
FUND BALANCES - ending	\$ 701,301	\$ 1,157,102	\$ 1,672,277	\$ 4,447,707	\$ 7,978,387

CITY OF HILLSBORO, OREGON

HILLSBORO ECONOMIC DEVELOPMENT COUNCIL DOWNTOWN HILLSBORO FUND

SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2025

	Biennial Budget		Actual		Variance with Final Budget Positive (Negative)
	Original	Final	FY 2024	FY 2025	
REVENUES:					
Interest and investments	\$ 22,935	\$ 22,935	\$ 40,010	\$ 34,528	\$ 74,538 \$ 51,603
Notes receivable principal collected	59,065	59,065	29,754	30,053	59,807 742
Grants and donations	-	-	214,925	154,549	369,474 369,474
Other	-	-	79,328	-	79,328 79,328
TOTAL REVENUES	82,000	82,000	364,017	219,130	583,147 501,147
EXPENDITURES:					
Personnel services	566,095	566,095	209,697	228,480	438,177 127,918
Materials and services	2,790,000	2,790,000	1,280,474	982,903	2,263,377 526,623
Capital outlay	11,509,485	11,509,485	-	-	- 11,509,485
TOTAL EXPENDITURES	14,865,580	14,865,580	1,490,171	1,211,383	2,701,554 12,164,026
DEFICIENCY OF REVENUES UNDER EXPENDITURES					
	(14,783,580)	(14,783,580)	(1,126,154)	(992,253)	(2,118,407) 12,665,173
OTHER FINANCING SOURCES (USES):					
Transfers in	2,000,000	2,000,000	1,100,000	900,000	2,000,000 -
Transfers out	(967,200)	(967,200)	(583,600)	(350,000)	(933,600) 33,600
Note payable issued	11,500,000	11,500,000	-	-	- (11,500,000)
TOTAL OTHER FINANCING SOURCES (USES)	12,532,800	12,532,800	516,400	550,000	1,066,400 (11,466,400)
NET CHANGE IN FUND BALANCE	(2,250,780)	(2,250,780)	(609,754)	(442,253)	(1,052,007) 1,198,773
FUND BALANCE - beginning	2,250,780	2,250,780	1,753,308	1,143,554	1,753,308 (497,472)
FUND BALANCE - ending	\$ 701,301	\$ 701,301	\$ 1,143,554	\$ 701,301	\$ 701,301

CITY OF HILLSBORO, OREGON

PARKS CAPITAL FUND

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

YEAR ENDED JUNE 30, 2025

	Variance with Final Budget					
	Biennial Budget		Actual		Biennial	Positive (Negative)
	Original	Final	FY 2024	FY 2025		
REVENUES:						
Interest and investments	\$ -	\$ -	\$ 26,000	\$ 30,506	\$ 56,506	\$ 26,000
Grants and other	\$ 1,200,000	\$ 1,200,000	\$ 949,458	\$ 361,468	\$ 1,310,926	\$ (250,542)
TOTAL REVENUES	1,200,000	1,200,000	975,458	391,974	1,367,432	(224,542)
EXPENDITURES:						
Personnel services	733,430	823,430	377,630	437,364	814,994	445,800
Materials and services	1,905,000	1,905,000	681,000	293,676	974,676	1,224,000
Capital outlay	16,547,370	16,457,370	1,137,540	1,482,014	2,619,554	15,319,830
TOTAL EXPENDITURES	19,185,800	19,185,800	2,196,170	2,213,054	4,409,224	16,989,630
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(17,985,800)	(17,985,800)	(1,220,712)	(1,821,080)	(3,041,792)	16,765,088
OTHER FINANCING SOURCES:						
Transfers in	17,750,000	17,750,000	2,000,000	2,000,000	4,000,000	(15,750,000)
NET CHANGE IN FUND BALANCE	(235,800)	(235,800)	779,288	178,920	958,208	1,015,088
FUND BALANCE - beginning	235,800	235,800	196,244	975,532	196,244	(39,556)
FUND BALANCE - ending	\$ -	\$ -	\$ 975,532	\$ 1,154,452	\$ 1,154,452	\$ 975,532

RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

Adjustment for unrealized gain (loss) on investments	2,650
FUND BALANCE - GAAP BASIS - ending	\$ 1,157,102

CITY OF HILLSBORO, OREGON

SOUTH HILLSBORO COMMUNITY SERVICE FEE CAPITAL FUND

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

YEAR ENDED JUNE 30, 2025

	Variance with Final Budget					
	Biennial Budget		Actual		Biennial	Positive (Negative)
	Original	Final	FY 2024	FY 2025		
REVENUES:						
Charges for Service	\$ 750,000	\$ 750,000	\$ 372,134	\$ 459,403	\$ 831,537	\$ 81,537
Interest	20,000	20,000	31,670	58,500	90,170	70,170
TOTAL REVENUES	770,000	770,000	403,804	517,903	921,707	151,707
EXPENDITURES:						
Capital outlay	1,504,000	1,504,000	-	-	-	1,504,000
TOTAL EXPENDITURES	1,504,000	1,504,000	-	-	-	1,504,000
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND NET CHANGE IN FUND BALANCE	(734,000)	(734,000)	403,804	517,903	921,707	1,655,707
FUND BALANCE - beginning	734,000	734,000	747,084	1,150,888	747,084	13,084
FUND BALANCE - ending	\$ -	\$ -	\$ 1,150,888	\$ 1,668,791	\$ 1,668,791	\$ 1,668,791
RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS						
Adjustment for unrealized gain (loss) on investments	3,486					
FUND BALANCE - GAAP BASIS - ending						\$ 1,672,277

CITY OF HILLSBORO, OREGON

GAIN SHARE CAPITAL FUND

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

YEAR ENDED JUNE 30, 2025

						Variance with Final Budget Positive (Negative)	
	Biennial Budget		Actual		Biennial		
	Original	Final	FY 2024	FY 2025			
REVENUES:							
Gain share contributions	\$ 12,850,000	\$ 12,850,000	\$ 6,338,606	\$ 6,491,046	\$ 12,829,652	\$ (20,348)	
Interest and investments	300,000	300,000	257,360	263,342	520,702	220,702	
TOTAL REVENUES	13,150,000	13,150,000	6,595,966	6,754,388	13,350,354	200,354	
EXPENDITURES:							
Capital outlay	150,986	150,986	-	-	-	150,986	
Special payments	5,000,000	5,000,000	785,842	151,642	937,484	4,062,516	
TOTAL EXPENDITURES	5,150,986	5,150,986	785,842	151,642	937,484	4,213,502	
EXCESS OF REVENUES OVER EXPENDITURES	7,999,014	7,999,014	5,810,124	6,602,746	12,412,870	4,413,856	
OTHER FINANCING SOURCES (USES):							
Transfers in	1,750,000	1,750,000	875,000	875,000	1,750,000	-	
Transfers out	(19,199,014)	(19,199,014)	(14,324,691)	(4,874,323)	(19,199,014)	-	
TOTAL OTHER FINANCING SOURCES (USES)	(17,449,014)	(17,449,014)	(13,449,691)	(3,999,323)	(17,449,014)	-	
NET CHANGE IN FUND BALANCE	(9,450,000)	(9,450,000)	(7,639,567)	2,603,423	(5,036,144)	4,413,856	
FUND BALANCE - beginning	9,450,000	9,450,000	9,474,197	1,834,630	9,474,197	24,197	
FUND BALANCE - ending	\$ -	\$ -	\$ 1,834,630	\$ 4,438,053	\$ 4,438,053	\$ 4,438,053	

RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

Adjustment for unrealized gain (loss) on investments	<u>9,654</u>
FUND BALANCE - GAAP BASIS - ending	<u>\$ 4,447,707</u>

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the Board of Councilors is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the Board of Councilors has decided that periodic determination of net income is appropriate for accountability purposes.

Utilities Commission Fund: This fund accounts for the operation and maintenance of water service and distribution facilities.

Sewer Fund: This fund accounts for the operation and maintenance of the sewer service and collection system.

Surface Water Management Fund: This fund accounts for the operation and maintenance of the City's surface water system.

Property Management Fund: This fund accounts for revenues and operating costs for off-street parking facilities and other properties.

Intermodal Transit Facility Fund: This fund accounts for expenses related to the Intermodal Transit Facility (ITF). The City partnered with Tuality Healthcare and Pacific University to build the ITF and the partners share in the cost of maintaining the facility.

Broadband Fund: This fund accounts for the operations and maintenance of the City's broadband internet and commercial phone service system.

CITY OF HILLSBORO, OREGON

UTILITIES COMMISSION FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS**

YEAR ENDED JUNE 30, 2025

	Biennial Budget		Actual			Variance with Final Budget Positive (Negative)
	Original	Final	FY 2024	FY 2025	Biennial	
REVENUES:						
Charges for services	\$ 99,026,372	\$ 99,026,372	\$ 51,385,047	\$ 56,282,678	\$ 107,667,725	\$ 8,641,353
Installation and connection fees	580,000	580,000	284,822	279,384	564,206	(15,794)
Licenses and permits	60,000	60,000	100,067	281,757	381,824	321,824
System development fees	7,400,000	7,400,000	9,711,755	8,000,022	17,711,777	10,311,777
Grants and donations	-	-	100,000	-	100,000	100,000
Interest and investments	1,650,000	1,650,000	6,114,073	6,545,396	12,659,469	11,009,469
Miscellaneous	3,000	3,000	409,190	1,500,200	1,909,390	1,906,390
TOTAL REVENUES	108,719,372	108,719,372	68,104,954	72,889,437	140,994,391	32,275,019
EXPENDITURES:						
Personnel services	24,987,535	24,987,535	9,188,719	11,470,323	20,659,042	4,328,493
Materials and services	11,135,790	11,135,790	3,251,661	3,161,272	6,412,933	4,722,857
Capital outlay	299,651,535	299,651,535	106,504,345	86,519,404	193,023,749	106,627,786
Special payments	29,073,932	29,073,932	11,693,100	13,172,945	24,866,045	4,207,887
Debt service	4,266,825	4,266,825	2,638,375	1,628,450	4,266,825	-
Contingency	195,000	195,000	-	-	-	195,000
TOTAL EXPENDITURES	369,310,617	369,310,617	133,276,200	115,952,394	249,228,594	120,082,023
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(260,591,245)	(260,591,245)	(65,171,246)	(43,062,957)	(108,234,203)	152,357,042

OTHER FINANCING

SOURCES (USES):

Proceeds from sale of capital assets	-	-	137,013	67,140	204,153	204,153
Issuance of debt	140,523,385	140,523,385	95,523,385	-	95,523,385	(45,000,000)
Transfers in	20,231,570	20,231,570	-	-	-	(20,231,570)
Transfers out	(22,270,871)	(22,270,871)	(380,000)	(270,271)	(650,271)	21,620,600
TOTAL OTHER FINANCING SOURCES (USES)	138,484,084	138,484,084	95,280,398	(203,131)	95,077,267	(43,406,817)

NET CHANGE IN FUND BALANCE	(122,107,161)	(122,107,161)	30,109,152	(43,266,088)	(13,156,936)	108,950,225
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FUND BALANCE - beginning	125,061,292	125,061,292	155,803,850	185,913,002	155,803,850	30,742,558
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FUND BALANCE - ending	\$ 2,954,131	\$ 2,954,131	\$185,913,002	\$ 142,646,914	\$142,646,914	\$139,692,783
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CITY OF HILLSBORO, OREGON

UTILITIES COMMISSION FUND

RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

YEAR ENDED JUNE 30, 2025

NET CHANGE IN FUND BALANCE	\$ (43,266,088)
Unrealized gain (loss) on investments	2,578,975
Amortization	(7,075)
Depreciation	(4,340,897)
Net amortization bond premiums and deferred refunding	77,751
Capital asset additions	4,543,799
Contributions of capital assets	3,599,456
City's share of net loss of joint ventures	(2,537,199)
Contributions to joint ventures	82,395,736
Accrued compensated absences - City	(143,034)
Other post-employment benefits	(61,099)
Pension expense	(677,703)
Accrued interest on bonds and notes	(3,473,419)
CHANGE IN NET POSITION	\$ 38,689,203

CITY OF HILLSBORO, OREGON

SEWER FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS**

YEAR ENDED JUNE 30, 2025

						Variance with Final Budget Positive (Negative)	
	Biennial Budget		Actual				
	Original	Final	FY 2024	FY 2025	Biennial		
REVENUES:							
Charges for services	\$ 78,798,000	\$ 78,798,000	\$ 39,585,039	\$ 42,437,822	\$ 82,022,861	\$ 3,224,861	
Licenses and Permits	400,000	400,000	119,624	452,704	572,328	172,328	
System development charges	15,486,000	15,486,000	5,844,697	5,626,329	11,471,026	(4,014,974)	
Interest and investments	1,335,800	1,335,800	1,295,495	1,813,555	3,109,050	1,773,250	
Miscellaneous	4,847,500	4,847,500	4,376,753	4,101,304	8,478,057	3,630,557	
TOTAL REVENUES	100,867,300	100,867,300	51,221,608	54,431,714	105,653,322	4,786,022	
EXPENDITURES:							
Personnel services	8,568,385	8,568,385	3,296,600	3,673,618	6,970,218	1,598,167	
Materials and services	2,372,850	2,372,850	403,967	835,708	1,239,675	1,133,175	
Capital outlay	47,117,567	47,075,792	6,483,936	6,484,883	12,968,819	34,106,973	
Special payments	81,043,073	81,043,073	38,016,319	40,168,730	78,185,049	2,858,024	
TOTAL EXPENDITURES	139,101,875	139,060,100	48,200,822	51,162,939	99,363,761	39,696,339	
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES							
	(38,234,575)	(38,192,800)	3,020,786	3,268,775	6,289,561	44,482,361	
OTHER FINANCING SOURCES (USES):							
SOURCES (USES):							
Proceeds from sale of capital assets	-	-	37,142	20,537	57,679	57,679	
Transfers in	2,000,000	2,000,000	500,457	-	500,457	(1,499,543)	
Transfers out	(2,314,625)	(2,356,400)	(60,000)	(249,910)	(309,910)	2,046,490	
TOTAL OTHER FINANCING SOURCES (USES)	(314,625)	(356,400)	477,599	(229,373)	248,226	604,626	
NET CHANGE IN FUND BALANCE							
	(38,549,200)	(38,549,200)	3,498,385	3,039,402	6,537,787	45,086,987	
FUND BALANCE - beginning	38,549,200	38,549,200	40,485,598	43,983,983	40,485,598	1,936,398	
FUND BALANCE - ending	\$ -	\$ -	\$ 43,983,983	\$ 47,023,385	\$ 47,023,385	\$ 47,023,385	

CITY OF HILLSBORO, OREGON

SEWER FUND

RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

YEAR ENDED JUNE 30, 2025

NET CHANGE IN FUND BALANCE	\$ 3,039,402
Unrealized gain (loss) on investments	565,141
Depreciation	(1,949,221)
Capital asset additions	6,269,162
Contributions of capital assets	5,077,067
Accrued compensated absences	(36,944)
Other post-employment benefit	(3,921)
Pension expense	(282,560)
Charges for services and system development fees collected for Clean Water Services	(35,994,360)
Charges for services and system development fees owed to Clean Water Services	35,994,360
CHANGE IN NET POSITION	\$ 12,678,126

CITY OF HILLSBORO, OREGON

SURFACE WATER MANAGEMENT FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS**

YEAR ENDED JUNE 30, 2025

	Variance with Final Budget					
	Biennial Budget		Actual		Positive (Negative)	
	Original	Final	FY 2024	FY 2025		
REVENUES:						
Charges for services	\$ 30,957,000	\$ 30,957,000	\$ 14,937,264	\$ 17,093,036	\$ 32,030,300	\$ 1,073,300
System development fees	560,000	560,000	171,862	45,398	217,260	(342,740)
Licenses and permits	1,600,000	1,600,000	823,599	1,537,450	2,361,049	761,049
Interest and investments	467,000	467,000	587,653	904,620	1,492,273	1,025,273
Miscellaneous	1,000	1,000	3,722	66,464	70,186	69,186
TOTAL REVENUES	33,585,000	33,585,000	16,524,100	19,646,968	36,171,068	2,586,068
EXPENDITURES:						
Personnel services	11,156,600	11,156,600	4,539,432	5,172,987	9,712,419	1,444,181
Materials and services	3,032,250	3,032,250	682,491	869,221	1,551,712	1,480,538
Capital outlay	19,135,902	19,094,127	1,290,412	1,977,178	3,267,590	15,826,537
Special payments	12,547,849	12,547,849	5,705,224	6,242,719	11,947,943	599,906
TOTAL EXPENDITURES	45,872,601	45,830,826	12,217,559	14,262,105	26,479,664	19,351,162
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(12,287,601)	(12,245,826)	4,306,541	5,384,863	9,691,404	21,937,230
OTHER FINANCING SOURCES (USES):						
Proceeds from sale of capital assets	-	-	59,230	48,799	108,029	108,029
Transfers in	2,370,800	2,370,800	-	-	-	(2,370,800)
Transfers out	(3,293,999)	(3,335,774)	(384,043)	(570,551)	(954,594)	2,381,180
TOTAL OTHER FINANCING SOURCES (USES)	(923,199)	(964,974)	(324,813)	(521,752)	(846,565)	118,409
NET CHANGE IN FUND BALANCE	(13,210,800)	(13,210,800)	3,981,728	4,863,111	8,844,839	22,055,639
FUND BALANCE - beginning	13,210,800	13,210,800	16,093,546	20,075,274	16,093,546	2,882,746
FUND BALANCE - ending	\$ -	\$ -	\$ 20,075,274	\$ 24,938,385	\$ 24,938,385	\$ 24,938,385

CITY OF HILLSBORO, OREGON

SURFACE WATER MANAGEMENT FUND

RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

YEAR ENDED JUNE 30, 2025

NET CHANGE IN FUND BALANCE	\$ 4,863,111
Unrealized gain (loss) on investments	274,068
Depreciation	(2,315,809)
Capital asset additions	1,654,328
Contributions of capital assets	7,004,100
Accrued compensated absences	(40,191)
Other post-employment benefit	1,792
Pension expense	(339,687)
Charges for services and system development fees collected for Clean Water Services	(2,929,776)
Charges for services and system development fees owed to Clean Water Services	<u>2,929,776</u>
CHANGE IN NET POSITION	\$ 11,101,712

CITY OF HILLSBORO, OREGON

NON-MAJOR PROPRIETARY FUNDS

COMBINING STATEMENT OF NET POSITION

JUNE 30, 2025

	Property Management Fund	Intermodal Transit Facility Fund	Broadband Fund	Total
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 7,486	\$ 4,658	\$ 284,797	\$ 296,941
Investments	109,064	67,857	4,147,568	4,324,489
Accounts receivable	11,265	337,626	39,620	388,511
Lease receivable, current	-	144,666	-	144,666
TOTAL CURRENT ASSETS	127,815	554,807	4,471,985	5,154,607
Noncurrent assets:				
Net OPEB asset	-	-	23,255	23,255
Lease receivable	-	548,941	-	548,941
Capital assets not being depreciated	1,183,988	1,600,000	830,453	3,614,441
Capital assets, net	-	8,638,050	32,901,634	41,539,684
TOTAL NONCURRENT ASSETS	1,183,988	10,786,991	33,755,342	45,726,321
TOTAL ASSETS	1,311,803	11,341,798	38,227,327	50,880,928
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred pension differences, net	-	-	478,603	478,603
Deferred OPEB difference	-	-	21,843	21,843
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	-	500,446	500,446

CITY OF HILLSBORO, OREGON

NON-MAJOR PROPRIETARY FUNDS

COMBINING STATEMENT OF NET POSITION (CONTINUED)

JUNE 30, 2025

	Property Management Fund	Intermodal Transit Facility Fund	Broadband Fund	Total
LIABILITIES:				
Current liabilities:				
Accounts payable	\$ -	\$ 115,398	\$ 269,843	\$ 385,241
Accrued payroll payable	-	-	23,000	23,000
Compensated absences payable	-	-	41,941	41,941
TOTAL CURRENT LIABILITIES	-	115,398	334,784	450,182
Long-term liabilities:				
Net pension liability	-	-	966,988	966,988
Compensated absences payable	-	-	70,506	70,506
Other post-employment benefits payable	-	-	97,144	97,144
TOTAL LONG-TERM LIABILITIES	-	-	1,134,638	1,134,638
TOTAL LIABILITIES	-	115,398	1,469,422	1,584,820
DEFERRED INFLOWS OF RESOURCES:				
Deferred pension differences, net	-	-	99,341	99,341
Deferred OPEB differences	-	-	29,275	29,275
Deferred lease resources	-	693,607	-	693,607
TOTAL DEFERRED INFLOWS OF RESOURCES	-	693,607	128,616	822,223
NET POSITION:				
Net investment in capital assets	1,183,988	10,238,050	33,732,087	45,154,125
Restricted for OPEB Asset	-	-	23,255	23,255
Unrestricted	127,815	294,743	3,374,393	3,796,951
TOTAL NET POSITION	\$ 1,311,803	\$ 10,532,793	\$ 37,129,735	\$ 48,974,331

CITY OF HILLSBORO, OREGON

NON-MAJOR PROPRIETARY FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION**

YEAR ENDED JUNE 30, 2025

	Property Management Fund	Intermodal Transit Facility Fund	Broadband Fund	Total
OPERATING REVENUES:				
Charges for services, net of allowance for doubtful accounts	\$ -	\$ -	\$ 1,248,288	\$ 1,248,288
Licenses and permits			9,684	9,684
Leasehold revenues	-	246,777	-	246,777
Other	27,423	620,690	-	648,113
TOTAL OPERATING REVENUES	27,423	867,467	1,257,972	2,152,862
OPERATING EXPENSES:				
Salaries and fringe benefits	-	-	1,193,536	1,193,536
Operating supplies	-	44,009	92,805	136,814
Repairs and maintenance	-	81,508	518,118	599,626
Utilities	-	108,849	1,040	109,889
Insurance	-	-	35,012	35,012
Payment in lieu of property taxes	-	-	88,222	88,222
Fees and assessments	-	-	779	779
Contractual services	-	253,802	191,724	445,526
Depreciation and amortization	-	537,057	1,632,461	2,169,518
Support services	-	-	361,911	361,911
Other	-	-	31,814	31,814
TOTAL OPERATING EXPENSES	-	1,025,225	4,147,422	5,172,647
OPERATING LOSS	27,423	(157,758)	(2,889,450)	(3,019,785)
NONOPERATING INCOME (LOSS):				
Interest and investments income	5,646	44,109	12,527	62,282
TOTAL NONOPERATING INCOME (LOSS)	5,646	44,109	12,527	62,282
NET INCOME (LOSS)	33,069	(113,649)	(2,876,923)	(2,957,503)
TRANSFERS IN				
TRANSFERS OUT	-	-	5,715,829	5,715,829
TRANSFERS, NET	-	-	(77,353)	(77,353)
CHANGE IN NET POSITION	33,069	(113,649)	2,761,553	2,680,973
NET POSITION - beginning as previously reported	1,278,734	10,646,442	34,396,738	46,321,914
EFFECT OF CHANGE FOR GASB 101 IMPLEMENTATION	-	-	(28,556)	(28,556)
NET POSITION - beginning	1,278,734	10,646,442	34,368,182	46,293,358
NET POSITION - ending	\$ 1,311,803	\$ 10,532,793	\$ 37,129,735	\$ 48,974,331

CITY OF HILLSBORO, OREGON

NON-MAJOR PROPRIETARY FUNDS

COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2025

	Property Management Fund	Intermodal Transit Facility Fund	Broadband Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received for services	\$ 24,078	\$ 674,000	\$ 1,268,059	\$ 1,966,137
Cash paid to suppliers for goods and services	-	(385,402)	(1,860,780)	(2,246,182)
Cash paid to employees for services	-	-	(1,169,753)	(1,169,753)
NET CASH FROM OPERATING ACTIVITIES	24,078	288,598	(1,762,474)	(1,449,798)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers from other funds	-	-	5,715,829	5,715,829
Transfers to other funds	-	-	(77,353)	(77,353)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	-	-	5,638,476	5,638,476
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets, net of related accounts payable	-	(409,538)	(2,847,018)	(3,256,556)
FINANCING ACTIVITIES	-	(409,538)	(2,847,018)	(3,256,556)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received on investments	6,223	44,444	34,773	85,440
NET CHANGE IN CASH, CASH EQUIVALENTS AND INVESTMENTS	30,301	(76,496)	1,063,757	1,017,562
CASH, CASH EQUIVALENTS AND INVESTMENTS - beginning	86,249	149,011	3,368,608	3,603,868
CASH, CASH EQUIVALENTS AND INVESTMENTS - ending	\$ 116,550	\$ 72,515	\$ 4,432,365	\$ 4,621,430

CITY OF HILLSBORO, OREGON

NON-MAJOR PROPRIETARY FUNDS

COMBINING STATEMENT OF CASH FLOWS (CONTINUED)

YEAR ENDED JUNE 30, 2025

	Property Management Fund	Intermodal Transit Facility Fund	Broadband Fund	Total
RECONCILIATION TO STATEMENT OF NET POSITION				
Cash and cash equivalents	\$ 7,486	\$ 4,658	\$ 284,797	\$ 296,941
Investments	109,064	67,857	4,147,568	4,324,489
	<u>\$ 116,550</u>	<u>\$ 72,515</u>	<u>\$ 4,432,365</u>	<u>\$ 4,621,430</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED FROM OPERATING ACTIVITIES				
Operating loss	\$ 27,423	\$ (157,758)	\$ (2,889,450)	\$ (3,019,785)
Adjustments to reconcile operating loss to net cash from operating activities:				
Depreciation and amortization	-	537,057	1,632,461	2,169,518
Change in assets and liabilities:				
Receivables	(3,345)	(193,467)	10,087	(186,725)
Due to other funds	-	-	-	-
Accounts payable, net of capital related accounts payable	-	102,766	(539,355)	(436,589)
Accrued payroll payable	-	-	(2,000)	(2,000)
Pension system	-	-	27,221	27,221
Compensated absences payable	-	-	3,140	3,140
Other post-employment benefits system	-	-	(4,578)	(4,578)
Total adjustments	<u>(3,345)</u>	<u>446,356</u>	<u>1,126,976</u>	<u>1,569,987</u>
NET CASH FROM OPERATING ACTIVITIES				
	<u>\$ 24,078</u>	<u>\$ 288,598</u>	<u>\$ (1,762,474)</u>	<u>\$ (1,449,798)</u>

CITY OF HILLSBORO, OREGON

PROPERTY MANAGEMENT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS

YEAR ENDED JUNE 30, 2025

	Biennial Budget	Actual	Variance with Final Budget			
	Original	Final	FY 2024	FY 2025	Biennial	Positive (Negative)
REVENUES:						
Interest and investments	\$ 1,000	\$ 1,000	\$ 2,561	\$ 4,368	\$ 6,929	\$ 5,929
Other	45,000	45,000	28,927	27,423	56,350	11,350
TOTAL REVENUES	<u>46,000</u>	<u>46,000</u>	<u>31,488</u>	<u>31,791</u>	<u>63,279</u>	<u>17,279</u>
EXPENDITURES:						
Materials and services	104,250	104,250	-	-	-	104,250
DEFICIENCY OF REVENUES UNDER EXPENDITURES AND NET CHANGE IN FUND BALANCE	<u>(58,250)</u>	<u>(58,250)</u>	<u>31,488</u>	<u>31,791</u>	<u>63,279</u>	<u>121,529</u>
FUND BALANCE - beginning	<u>58,250</u>	<u>58,250</u>	<u>64,283</u>	<u>95,771</u>	<u>64,283</u>	<u>6,033</u>
FUND BALANCE - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,771</u>	<u>\$ 127,562</u>	<u>\$ 127,562</u>	<u>\$ 127,562</u>
RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS						
NET CHANGE IN FUND BALANCE			\$ 31,791			
Unrealized gain (loss) on investments			<u>1,278</u>			
CHANGE IN NET POSITION			<u>\$ 33,069</u>			

CITY OF HILLSBORO, OREGON

INTERMODAL TRANSIT FACILITY

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS**

YEAR ENDED JUNE 30, 2025

						Variance with Final Budget Positive (Negative)	
	Biennial Budget		Actual		Biennial		
	Original	Final	FY 2024	FY 2025			
REVENUES:							
Miscellaneous income	\$ 1,789,520	\$ 1,789,520	\$ 171,442	\$ 620,690	\$ 792,132	\$ (997,388)	
Leasehold revenues	241,108	241,108	215,321	246,777	462,098	220,990	
Interest and investments	30,201	30,201	19,371	42,183	61,554	31,353	
TOTAL REVENUES	2,060,829	2,060,829	406,134	909,650	1,315,784	(745,045)	
EXPENDITURES:							
Materials and services	834,400	834,400	403,633	435,496	839,129	(4,729)	
Capital outlay	1,426,429	1,426,429	-	462,210	462,210	964,219	
TOTAL EXPENDITURES	2,260,829	2,260,829	403,633	897,706	1,301,339	959,490	
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(200,000)	(200,000)	2,501	11,944	14,445	214,445	
OTHER FINANCING SOURCES:							
Transfers from other funds	200,000	200,000	200,000	-	200,000	-	
NET CHANGE IN FUND BALANCE	-	-	202,501	11,944	214,445	214,445	
FUND BALANCE - beginning	-	-	80,140	282,641	80,140	80,140	
FUND BALANCE - ending	\$ -	\$ -	\$ 282,641	\$ 294,585	\$ 294,585	\$ 294,585	
RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS							
NET CHANGE IN FUND BALANCE			\$ 11,944				
Unrealized gain (loss) on investments			1,926				
Depreciation			(537,057)				
Capital asset additions			409,538				
CHANGE IN NET POSITION			\$ (113,649)				

CITY OF HILLSBORO, OREGON

BROADBAND FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS**

YEAR ENDED JUNE 30, 2025

						Variance with Final Budget Positive (Negative)	
	Biennial Budget		Actual		Biennial		
	Original	Final	FY 2024	FY 2025			
REVENUES:							
Charges for services	\$ 1,972,000	\$ 1,972,000	\$ 826,084	\$ 1,248,288	\$ 2,074,372	\$ 102,372	
Licenses and permits	8,200	8,200	7,461	9,684	17,145	8,945	
Interest and investments	4,000	4,000	28,080	(37,134)	(9,054)	(13,054)	
TOTAL REVENUES	1,984,200	1,984,200	861,625	1,220,838	2,082,463	98,263	
EXPENDITURES:							
Personnel services	3,507,180	3,007,180	1,146,645	1,167,753	2,314,398	692,782	
Materials and services	1,523,887	1,523,887	607,772	497,396	1,105,168	418,719	
Capital outlay	14,388,596	14,888,596	11,210,457	1,859,807	13,070,264	1,818,332	
Special payments	1,029,054	1,029,054	452,247	502,175	954,422	74,632	
TOTAL EXPENDITURES	20,448,717	20,448,717	13,417,121	4,027,131	17,444,252	3,004,465	
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(18,464,517)	(18,464,517)	(12,555,496)	(2,806,293)	(15,361,789)	3,102,728	
OTHER FINANCING SOURCES:							
Transfers from other funds	18,150,162	18,150,162	12,554,592	5,715,829	18,270,421	120,259	
Transfer to other funds	(78,745)	(78,745)	-	(77,353)	(77,353)	1,392	
TOTAL OTHER FINANCING SOURCES (USES)	18,071,417	18,071,417	12,554,592	5,638,476	18,193,068	121,651	
NET CHANGE IN FUND BALANCE	(393,100)	(393,100)	(904)	2,832,183	2,831,279	3,224,379	
FUND BALANCE - beginning	393,100	393,100	1,338,185	1,337,281	1,338,185	945,085	
FUND BALANCE - ending	\$ -	\$ -	\$ 1,337,281	\$ 4,169,464	\$ 4,169,464	\$ 4,169,464	
RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS							
NET CHANGE IN FUND BALANCE			\$ 2,832,183				
Unrealized gain (loss) on investments			49,661				
Depreciation			(1,632,461)				
Capital asset additions			1,537,953				
Accrued compensated absences			(3,140)				
Other post-employment benefits			4,578				
Pension expense			(27,221)				
CHANGE IN NET POSITION			\$ 2,761,553				

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department of the City to other departments or to other government units, generally on a cost reimbursement basis.

Fleet Management Fund: This fund accounts for expenses related to the fleet maintenance of the City's motor vehicle pool. Resources are provided through charges to other City departments, agencies or other users of the services. Transfers in are made for capital purchases of vehicles.

Copier Program Fund: This fund accounts for expenses related to copiers. Resources are provided through charges to other City departments, agencies or other users of the services.

Risk Management Fund: This fund accounts for the cost of workers' compensation, property and liability insurance. Funding is provided by charges to various City departments.

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Loss Reserve Fund: This fund accounts for the reserve for potential workers compensation claims. The City is self-insured for workers compensation and the State of Oregon requires that the City maintain a reserve fund.

Support Services Fund: This fund accounts for administrative services provided to other City departments. Funding is provided by charges to various City departments. Transfers in are made for capital projects including software purchase and implementation, and computer network infrastructure.

Sustainability Revolving Fund: This fund accounts for avoided costs from sustainability projects and to utilize a portion of those savings for subsequent projects. Funding is provided by transfer from the General Fund.

Facilities Management Fund: This fund accounts for operating expenses related to the maintenance and improvement of City facilities. Funding is provided by charges to various City departments and donations. Transfer in and bond proceeds are made for capital projects including construction of City facilities.

CITY OF HILLSBORO, OREGON

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF NET POSITION

JUNE 30, 2025

	Fleet Management	Copier Program	Risk Management	Loss Reserve	Support Services	Sustainability Revolving	Facilities Management	Total
ASSETS								
CURRENT ASSETS:								
Cash and cash equivalents	\$ 461,207	\$ 51,228	\$ 124,830	\$ 65,517	\$ 239,826	\$ 14,807	\$ 3,847,479	\$ 4,804,894
Investments	6,719,033	746,316	1,818,578	954,483	3,493,877	215,717	56,051,525	69,999,529
Accounts receivable	109,679	-	5,161	-	112,783	-	185,930	413,553
Interest receivable	43,891	4,873	18,110	-	22,824	1,409	356,958	448,065
Lease receivable, current portion	-	-	-	-	-	-	76,415	76,415
Land held for resale	-	-	-	-	-	-	5,072,538	5,072,538
TOTAL CURRENT ASSETS	7,333,810	802,417	1,966,679	1,020,000	3,869,310	231,933	65,590,845	80,814,994
NONCURRENT ASSETS:								
Net OPEB asset	20,639	-	17,441	-	452,022	-	-	490,102
Note receivable	-	-	-	-	-	-	8,000,000	8,000,000
Lease receivable	-	-	-	-	-	-	4,152,817	4,152,817
Capital assets not being depreciated	1,278,020	-	-	-	19,149	-	124,639,502	125,936,671
Other capital assets, net	10,255,539	182,556	-	-	4,975,326	-	123,000,721	138,414,142
TOTAL NONCURRENT ASSETS	11,554,198	182,556	17,441	-	5,446,497	-	259,793,040	276,993,732
TOTAL ASSETS	18,888,008	984,973	1,984,120	1,020,000	9,315,807	231,933	325,383,885	357,808,726
DEFERRED OUTFLOWS OF RESOURCES:								
Deferred pension differences (net)	505,718	-	291,772	-	10,925,286	-	-	11,722,776
Deferred OPEB differences	19,386	-	16,381	-	424,555	-	-	460,322
Deferred charges on refunding	-	-	-	-	-	-	665,856	665,856
TOTAL DEFERRED OUTFLOWS OF RESOURCES	525,104	-	308,153	-	11,349,841	-	665,856	12,848,954

CITY OF HILLSBORO, OREGON

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF NET POSITION (Continued)

JUNE 30, 2025

	Fleet Management	Copier Program	Risk Management	Loss Reserve	Support Services	Sustainability Revolving	Facilities Management	Total
LIABILITIES								
CURRENT LIABILITIES:								
Accounts payable	\$ 225,529	\$ 5,613	\$ 146,879	\$ -	\$ 740,512	\$ -	\$ 6,143,779	\$ 7,262,312
Accrued payroll payable	28,000	-	18,000	-	611,000	-	-	657,000
Compensated absences payable	53,982	-	32,457	-	867,152	-	-	953,591
Worker's compensation claims payable	-	-	1,853,000	-	-	-	-	1,853,000
Interest payable	-	-	-	-	60,399	-	122,697	183,096
Notes payable, current portion	-	-	-	-	-	-	-	-
Interfund payable, current portion	-	-	-	-	-	-	121,501	121,501
Bonds payable, current portion, net	-	-	-	-	-	-	5,256,872	5,256,872
Lease and SBITA payable, current portion	-	-	-	-	834,750	-	237,903	1,072,653
TOTAL CURRENT LIABILITIES	307,511	5,613	2,050,336	-	3,113,813	-	11,882,752	17,360,025
LONG-TERM LIABILITIES:								
Net pension liability	1,021,771	-	589,509	-	22,073,884	-	-	23,685,164
Compensated absences payable	141,191	-	76,323	-	1,715,306	-	-	1,932,820
Other post-employment benefits payable	86,215	-	72,858	-	1,888,233	-	-	2,047,306
Interfund payable	-	-	-	-	-	-	1,378,499	1,378,499
Bonds payable, net	-	-	-	-	-	-	56,772,861	56,772,861
Lease and SBITA payable	-	-	-	-	1,024,214	-	40,317	1,064,531
TOTAL LONG-TERM LIABILITIES	1,249,177	-	738,690	-	26,701,637	-	58,191,677	86,881,181
TOTAL LIABILITIES	1,556,688	5,613	2,789,026	-	29,815,450	-	70,074,429	104,241,206
DEFERRED INFLOWS OF RESOURCES:								
Deferred pension differences (net)	104,968	-	60,561	-	2,267,678	-	-	2,433,207
Deferred OPEB differences	25,982	-	21,957	-	569,027	-	-	616,966
Deferred lease resources	-	-	-	-	-	-	4,229,232	4,229,232
TOTAL DEFERRED OUTFLOWS OF RESOURCES	130,950	-	82,518	-	2,836,705	-	4,229,232	7,279,405
NET POSITION:								
Net investment in capital assets	11,533,559	182,556	-	-	3,135,511	-	184,498,126	199,349,752
Restricted for OPEB Asset	20,639	-	17,441	-	452,022	-	-	490,102
Unrestricted (Deficit)	6,171,276	796,804	(596,712)	1,020,000	(15,574,040)	231,933	67,247,954	59,297,215
TOTAL NET POSITION	\$ 17,725,474	\$ 979,360	\$ (579,271)	\$ 1,020,000	\$ (11,986,507)	\$ 231,933	\$ 251,746,080	\$ 259,137,069

CITY OF HILLSBORO, OREGON

INTERNAL SERVICE FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION**

YEAR ENDED JUNE 30, 2025

	Fleet Management	Copier Program	Risk Management	Loss Reserve	Support Services	Sustainability Revolving	Facilities Management	Total
OPERATING REVENUES:								
Charges for services	\$ 3,006,261	\$ 229,734	\$ 4,837,062	\$ -	\$ 37,492,494	\$ -	\$ 8,389,579	\$ 53,955,130
Other	128,216	-	1,299	-	517,126	-	32,811,607	33,458,248
TOTAL OPERATING REVENUES	3,134,477	229,734	4,838,361	-	38,009,620	-	41,201,186	87,413,378
OPERATING EXPENSES:								
Salaries and fringe benefits	1,413,284	-	956,301	-	29,845,207	-	52,078	32,266,870
Operating supplies, office expenses	43,870	15,959	22,264	-	1,386,617	-	2,632,177	4,100,887
Repairs and maintenance	1,450,909	197,202	-	-	2,392,075	-	1,334,018	5,374,204
Rental expense	-	-	-	-	-	-	51,447	51,447
Utilities	587	-	3,427	-	151,988	-	2,860,505	3,016,507
Dues, fees, training and assessments	8,103	-	9,882	-	446,834	-	-	464,819
Claims expense	-	-	839,745	-	94,722	-	-	934,467
Insurance premiums	-	-	3,020,039	-	-	-	-	3,020,039
Contractual services	577	-	172,644	-	2,606,052	-	646,682	3,425,955
Depreciation	2,435,943	38,085	-	-	485,769	-	6,645,044	9,604,841
Amortization	-	-	-	-	1,202,211	-	222,708	1,424,919
Other	-	-	-	-	979,681	-	1,365,437	2,345,118
TOTAL OPERATING EXPENSES	5,353,273	251,246	5,024,302	-	39,591,156	-	15,810,096	66,030,073
OPERATING INCOME (LOSS)	(2,218,796)	(21,512)	(185,941)	-	(1,581,536)	-	25,391,090	21,383,305
NONOPERATING INCOME (EXPENSE):								
Interest and investments income	447,376	42,737	158,613	-	200,140	12,321	3,388,915	4,250,102
Gain (loss) on disposal of capital assets	143,094	-	-	-	-	-	1,353,712	1,496,806
Interest expense	-	-	-	-	(75,316)	-	(1,676,612)	(1,751,928)
Strategic investment program	-	-	-	-	-	-	36,085,319	36,085,319
TOTAL NONOPERATING INCOME (EXPENSE)	590,470	42,737	158,613	-	124,824	12,321	39,151,334	40,080,299
NET INCOME (LOSS) BEFORE TRANSFERS	(1,628,326)	21,225	(27,328)	-	(1,456,712)	12,321	64,542,424	61,463,604
Transfers in	2,500,000	-	-	-	544,362	-	7,549,884	10,594,246
Transfers out	-	-	-	-	-	-	(15,763,533)	(15,763,533)
TRANSFERS, NET	2,500,000	-	-	-	544,362	-	(8,213,649)	(5,169,287)
CONTRIBUTION OF CAPITAL ASSETS								
CHANGE IN NET POSITION	871,674	21,225	(27,328)	-	(912,350)	12,321	87,507,208	87,472,750
NET POSITION (DEFICIT) - beginning	16,928,761	958,135	(511,445)	1,020,000	(10,410,374)	219,612	164,238,872	172,443,561
EFFECT OF CHANGE FOR GASB 101 IMPLEMENTATION	(74,961)	-	(40,498)	-	(663,783)	-	-	(779,242)
NET POSITION - beginning, as restated	16,853,800	958,135	(551,943)	1,020,000	(11,074,157)	219,612	164,238,872	171,664,319
NET POSITION (DEFICIT) - ending	\$ 17,725,474	\$ 979,360	\$ (579,271)	\$ 1,020,000	\$ (11,986,507)	\$ 231,933	\$ 251,746,080	\$ 259,137,069

CITY OF HILLSBORO, OREGON

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2025

	Fleet Management	Copier Program	Risk Management	Loss Reserve	Support Services	Sustainability Revolving	Facilities Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES:								
Cash received for services	\$ 3,066,222	\$ 229,734	\$ 4,855,404	\$ -	\$ 38,125,495	\$ -	\$ 33,074,688	\$ 79,351,543
Cash paid to suppliers for goods and services	(1,509,633)	(253,761)	(3,922,404)	-	(7,722,509)	-	(8,439,814)	(21,848,121)
Cash paid to employees for services	(1,327,500)	-	(893,506)	-	(27,923,917)	-	(52,078)	(30,197,001)
NET CASH FROM OPERATING ACTIVITIES	229,089	(24,027)	39,494	-	2,479,069	-	24,582,796	27,306,421
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:								
Transfers from other funds	2,500,000	-	-	-	544,362	-	7,549,884	10,594,246
Transfers to other funds	-	-	-	-	-	-	(15,763,533)	(15,763,533)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	2,500,000	-	-	-	544,362	-	(8,213,649)	(5,169,287)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:								
Acquisition of capital assets, net of related accounts payable	(5,828,442)	20,777	-	-	(2,271,977)	-	(54,066,823)	(62,146,465)
Proceeds on interfund note	-	-	-	-	-	-	1,500,000	1,500,000
Proceeds from sale of capital assets	149,070	-	-	-	-	-	-	149,070
Payments on bonds	-	-	-	-	-	-	(4,760,000)	(4,760,000)
Payments on interfund note	-	-	-	-	-	-	(12,810,000)	(12,810,000)
Payments on leases and SBITA	-	-	-	-	(861,316)	-	(226,241)	(1,087,557)
Interest paid	-	-	-	-	(94,419)	-	(1,907,980)	(2,002,399)
Strategic investment program proceeds	-	-	-	-	-	-	36,085,319	36,085,319
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(5,679,372)	20,777	-	-	(3,227,712)	-	(36,185,725)	(45,072,032)
CASH FLOWS FROM INVESTING ACTIVITIES:								
Acquisition (disposal) of land held for resale	-	-	-	-	-	-	18,949,049	18,949,049
Interest and investments	468,101	42,932	153,427	-	202,580	12,371	3,413,870	4,293,281
NET CASH FROM INVESTING ACTIVITIES	468,101	42,932	153,427	-	202,580	12,371	22,362,919	23,242,330
NET CHANGE IN CASH, CASH EQUIVALENTS AND INVESTMENTS	(2,482,182)	39,682	192,921	-	(1,701)	12,371	2,546,341	307,432
CASH, CASH EQUIVALENTS AND INVESTMENTS - beginning	9,662,422	757,862	1,750,487	1,020,000	3,735,404	218,153	57,352,663	74,496,991
CASH, CASH EQUIVALENTS AND INVESTMENTS - ending	\$ 7,180,240	\$ 797,544	\$ 1,943,408	\$ 1,020,000	\$ 3,733,703	\$ 230,524	\$ 59,899,004	\$ 74,804,423

CITY OF HILLSBORO, OREGON

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS (Continued)

YEAR ENDED JUNE 30, 2025

	Fleet Management	Copier Program	Risk Management	Loss Reserve	Support Services	Sustainability Revolving	Facilities Management	Total
RECONCILIATION TO STATEMENT OF NET POSITION								
Cash and cash equivalents	\$ 461,207	\$ 51,228	\$ 124,830	\$ 65,517	\$ 239,826	\$ 14,807	\$ 3,847,479	\$ 4,804,894
Investments	6,719,033	746,316	1,818,578	954,483	3,493,877	215,717	56,051,525	69,999,529
	<u>\$ 7,180,240</u>	<u>\$ 797,544</u>	<u>\$ 1,943,408</u>	<u>\$ 1,020,000</u>	<u>\$ 3,733,703</u>	<u>\$ 230,524</u>	<u>\$ 59,899,004</u>	<u>\$ 74,804,423</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:								
Operating income (loss)	\$ (2,218,796)	\$ (21,512)	\$ (185,941)	\$ -	\$ (1,581,536)	\$ -	\$ 25,391,090	\$ 21,383,305
Adjustments to reconcile operating income (loss) to net cash from operating activities:								
Depreciation and amortization	2,435,943	38,085	-	-	1,687,980	-	6,867,752	11,029,760
Changes in assets and liabilities:								
Accounts receivable	(68,255)	-	17,043	-	115,875	-	(126,498)	(61,835)
Note receivable	-	-	-	-	-	-	(8,000,000)	(8,000,000)
Accounts payable, net of related capital activities	(5,587)	(40,600)	16,597	-	335,460	-	450,452	756,322
Accrued payroll payable	5,000	-	(1,000)	-	90,000	-	-	94,000
Pension system changes	47,115	-	42,144	-	1,377,103	-	-	1,466,362
Worker's compensation claims payable	-	-	129,000	-	-	-	-	129,000
Compensated absences payable	33,438	-	14,345	-	447,596	-	-	495,379
Other post-employment benefits system changes	231	-	7,306	-	6,591	-	-	14,128
Total adjustments	<u>2,447,885</u>	<u>(2,515)</u>	<u>225,435</u>	<u>-</u>	<u>4,060,605</u>	<u>-</u>	<u>(808,294)</u>	<u>5,923,116</u>
NET CASH FROM OPERATING ACTIVITIES	\$ 229,089	\$ (24,027)	\$ 39,494	\$ -	\$ 2,479,069	\$ -	\$ 24,582,796	\$ 27,306,421
NON-CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES:								
Gain (loss) on disposal of capital assets	\$ 143,094	\$ -	\$ -	\$ -	\$ -	\$ 1,353,712	\$ 1,496,806	
Acquisition of lease and SBITA assets	-	-	-	-	483,028	-	-	483,028
Acquisition of lease and SBITA financing	-	-	-	-	(483,028)	-	-	(483,028)
Contributions of capital assets	-	-	-	-	-	-	31,178,433	31,178,433
Issuance of note receivable	-	-	-	-	-	-	8,000,000	8,000,000

CITY OF HILLSBORO, OREGON

INTERNAL SERVICE FUNDS

**COMBINING SCHEDULE OF RECONCILIATION OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE TO CHANGES IN NET POSITION**

YEAR ENDED JUNE 30, 2025

	Fleet Management	Copier Program	Risk Management	Loss Reserve		Support Services	Sustainability Revolving	Facilities Management	Total
NET CHANGES IN FUND BALANCE - GAAP BASIS	\$ (2,524,246)	\$ 59,310	\$ 414,854	\$ -		\$ (308,659)	\$ 12,321	\$ (7,148,663)	\$ (9,495,083)
Adjustments:									
Principal payments on bonds and notes	-	-	-	-		-	-	4,760,000	4,760,000
Principal payments on long-term leases and SBITA	-	-	-	-		861,316	-	226,241	1,087,557
Issuance of notes receivable	-	-	-	-		-	-	8,000,000	8,000,000
Accrued interest on bonds, notes and SBITA	-	-	-	-		19,103	-	11,096	30,199
Issuance of lease and SBITA financing	-	-	-	-		1,862,378	-	-	1,862,378
Incurred but not reported insurance claims	-	-	(378,387)	-		-	-	-	(378,387)
Loss on disposal of capital assets	(5,976)	-	-	-		-	-	-	(5,976)
Depreciation	(2,435,943)	(38,085)	-	-		(485,769)	-	(6,645,044)	(9,604,841)
Amortization	-	-	-	-		(1,202,211)	-	(222,708)	(1,424,919)
Interest	-	-	-	-		-	-	220,272	220,272
Accrued compensated absences	(33,438)	-	(14,345)	-		(447,596)	-	-	(495,379)
Pension expense	(47,115)	-	(42,144)	-		(1,377,103)	-	-	(1,466,362)
Other post-employment benefits	(231)	-	(7,306)	-		(6,591)	-	-	(14,128)
Contributed capital assets	-	-	-	-		-	-	31,178,433	31,178,433
Capital asset additions	5,918,623	-	-	-		172,782	-	57,127,581	63,218,986
CHANGES IN NET POSITION	\$ 871,674	\$ 21,225	\$ (27,328)	\$ -		\$ (912,350)	\$ 12,321	\$ 87,507,208	\$ 87,472,750

CITY OF HILLSBORO, OREGON

FLEET MANAGEMENT FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS**

YEAR ENDED JUNE 30, 2025

						Variance with Final Budget Positive (Negative)	
	Biennial Budget		Actual		Biennial		
	Original	Final	FY 2024	FY 2025			
REVENUES:							
Charges for services	\$ 5,610,095	\$ 5,610,095	\$ 2,643,867	\$ 3,006,261	\$ 5,650,128	\$ 40,033	
Interest and investments	150,000	150,000	243,330	317,039	560,369	410,369	
Grants and donations	-	-	-	128,155	128,155	128,155	
Miscellaneous	-	-	27,376	61	27,437	27,437	
TOTAL REVENUES	5,760,095	5,760,095	2,914,573	3,451,516	6,366,089	605,994	
EXPENDITURES:							
Personnel services	2,316,240	2,416,240	1,065,817	1,332,500	2,398,317	17,923	
Materials and services	2,893,855	2,893,855	1,321,763	1,299,667	2,621,430	272,425	
Capital outlay	15,027,560	14,927,560	2,754,759	6,123,002	8,877,761	6,049,799	
TOTAL EXPENDITURES	20,237,655	20,237,655	5,142,339	8,755,169	13,897,508	6,340,147	
DEFICIENCY OF REVENUES UNDER EXPENDITURES							
	(14,477,560)	(14,477,560)	(2,227,766)	(5,303,653)	(7,531,419)	6,946,141	
OTHER FINANCING SOURCES:							
Proceeds from sale of capital assets	150,000	150,000	156,051	149,070	305,121	155,121	
Transfers from other funds	6,450,000	6,450,000	3,860,000	2,500,000	6,360,000	(90,000)	
TOTAL OTHER FINANCING SOURCES	6,600,000	6,600,000	4,016,051	2,649,070	6,665,121	65,121	
NET CHANGE IN FUND BALANCE							
	(7,877,560)	(7,877,560)	1,788,285	(2,654,583)	(866,298)	7,011,262	
FUND BALANCE - beginning	7,877,560	7,877,560	7,935,386	9,723,671	7,935,386	57,826	
FUND BALANCE - ending	\$ -	\$ -	\$ 9,723,671	\$ 7,069,088	\$ 7,069,088	\$ 7,069,088	

RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

Adjustment for unrealized gain (loss) on investments	<u>15,680</u>
FUND BALANCE - GAAP BASIS - ending	<u>\$ 7,084,768</u>

CITY OF HILLSBORO, OREGON

COPIER PROGRAM FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS**

YEAR ENDED JUNE 30, 2025

						Variance with Final Budget Positive (Negative)	
	Biennial Budget		Actual		Biennial		
	Original	Final	FY 2024	FY 2025			
REVENUES:							
Charges for services	\$ 450,000	\$ 450,000	\$ 224,513	\$ 229,734	\$ 454,247	\$ 4,247	
Interest and investments	15,000	15,000	23,399	32,002	55,401	40,401	
Other	-	-	1,732	-	1,732	1,732	
TOTAL REVENUES	465,000	465,000	249,644	261,736	511,380	46,380	
EXPENDITURES:							
Materials and services	208,000	208,000	71,816	84,802	156,618	51,382	
Capital outlay	957,932	957,932	143,344	128,359	271,703	686,229	
TOTAL EXPENDITURES	1,165,932	1,165,932	215,160	213,161	428,321	737,611	
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND NET CHANGE IN FUND BALANCE							
	(700,932)	(700,932)	34,484	48,575	83,059	783,991	
FUND BALANCE - beginning	700,932	700,932	712,005	746,489	712,005	11,073	
FUND BALANCE - ending	\$ -	\$ -	\$ 746,489	\$ 795,064	\$ 795,064	\$ 795,064	

RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

Adjustment for unrealized gain (loss) on investments	<u>1,742</u>
FUND BALANCE - GAAP BASIS - ending	<u>\$ 796,806</u>

CITY OF HILLSBORO, OREGON

RISK MANAGEMENT FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS**

YEAR ENDED JUNE 30, 2025

						Variance with Final Budget Positive (Negative)	
	Biennial Budget		Actual		Biennial		
	Original	Final	FY 2024	FY 2025			
REVENUES:							
Charges for services	\$ 10,623,850	\$ 10,623,850	\$ 5,566,661	\$ 4,837,062	\$ 10,403,723	\$ (220,127)	
Interest and investments	15,200	15,200	59,663	119,266	178,929	163,729	
Refunds and miscellaneous	-	-	1,929	1,299	3,228	3,228	
TOTAL REVENUES	10,639,050	10,639,050	5,628,253	4,957,627	10,585,880	(53,170)	
EXPENDITURES:							
Personnel services	1,891,130	1,791,130	845,255	892,506	1,737,761	53,369	
Materials and services	363,350	463,350	247,818	208,217	456,035	7,315	
Special payments	8,734,570	8,734,570	3,977,757	3,481,397	7,459,154	1,275,416	
Contingency	100,000	100,000	-	-	-	100,000	
TOTAL EXPENDITURES	11,089,050	11,089,050	5,070,830	4,582,120	9,652,950	1,436,100	
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(450,000)	(450,000)	557,423	375,507	932,930	1,382,930	
OTHER FINANCING USE:							
Transfers to other funds	(50,000)	(50,000)	(50,000)	-	(50,000)	-	
NET CHANGE IN FUND BALANCE	(500,000)	(500,000)	507,423	375,507	882,930	1,382,930	
FUND BALANCE - beginning	500,000	500,000	196,577	704,000	196,577	(303,423)	
FUND BALANCE - ending	\$ -	\$ -	\$ 704,000	\$ 1,079,507	\$ 1,079,507	\$ 1,079,507	

RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

Adjustment for unrealized gain (loss) on investments	6,471
FUND BALANCE - GAAP BASIS - ending	\$ 1,085,978

CITY OF HILLSBORO, OREGON

LOSS RESERVE FUND

**SCHEDULE OF OTHER FINANCING SOURCE AND FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS**

YEAR ENDED JUNE 30, 2025

						Variance with Final Budget Positive (Negative)	
	Biennial Budget		Actual		Biennial		
	Original	Final	FY 2024	FY 2025			
OTHER FINANCING SOURCE:							
Transfers from other funds	\$ 50,000	\$ 50,000	\$ 50,000	\$ -	\$ 50,000	\$ -	
NET CHANGE IN FUND BALANCE	50,000	50,000	50,000	-	50,000	-	
FUND BALANCE - beginning	970,000	970,000	970,000	1,020,000	970,000	-	
FUND BALANCE - ending	\$ 1,020,000	\$ -					

CITY OF HILLSBORO, OREGON

SUPPORT SERVICES FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS**

YEAR ENDED JUNE 30, 2025

						Variance with Final Budget Positive (Negative)	
	Biennial Budget		Actual				
	Original	Final	FY 2024	FY 2025	Biennial		
REVENUES:							
Charges for services	\$ 80,015,420	\$ 80,015,420	\$ 33,989,720	\$ 37,492,494	\$ 71,482,214	\$ (8,533,206)	
Interest and investments	20,000	20,000	90,351	147,115	237,466	217,466	
Grants and donations	-	66,605	26,605	212,885	239,490	172,885	
Miscellaneous	356,000	356,000	441,173	304,241	745,414	389,414	
TOTAL REVENUES	80,391,420	80,458,025	34,547,849	38,156,735	72,704,584	(7,753,441)	
EXPENDITURES:							
City Manager's Office:							
Personnel services	10,819,230	10,819,230	5,170,774	5,421,979	10,592,753	226,477	
Materials and services	4,694,455	4,694,455	2,212,445	1,981,700	4,194,145	500,310	
	15,513,685	15,513,685	7,383,219	7,403,679	14,786,898	726,787	
Human Resources:							
Personnel services	6,868,315	6,868,315	2,842,064	3,169,418	6,011,482	856,833	
Materials and services	1,834,340	1,834,340	883,606	759,742	1,643,348	190,992	
	8,702,655	8,702,655	3,725,670	3,929,160	7,654,830	1,047,825	
Information Services:							
Personnel services	14,083,010	14,083,010	5,561,453	6,476,514	12,037,967	2,045,043	
Materials and services	7,648,796	7,868,796	3,157,302	3,387,716	6,545,018	1,323,778	
Capital outlay	7,483,700	9,580,694	4,252,841	3,011,885	7,264,726	2,315,968	
Debt service	2,000,000	2,000,000	537,842	955,735	1,493,577	506,423	
	31,215,506	33,532,500	13,509,438	13,831,850	27,341,288	6,191,212	
Finance:							
Personnel services	9,367,820	9,367,820	4,059,777	4,828,665	8,888,442	479,378	
Materials and services	1,929,380	2,129,380	968,684	1,124,551	2,093,235	36,145	
	11,297,200	11,497,200	5,028,461	5,953,216	10,981,677	515,523	
Emergency Operation Services:							
Personnel services	761,440	761,440	357,127	378,361	735,488	25,952	
Materials and services	134,901	255,001	65,969	161,133	227,102	27,899	
	896,341	1,016,441	423,096	539,494	962,590	53,851	
Facilities Management:							
Personnel services	11,125,195	11,125,195	4,745,029	5,235,723	9,980,752	1,144,443	
Materials and services	496,350	496,350	135,126	105,314	240,440	255,910	
	11,621,545	11,621,545	4,880,155	5,341,037	10,221,192	1,400,353	

(Continued)

CITY OF HILLSBORO, OREGON

SUPPORT SERVICES FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS (Continued)**

YEAR ENDED JUNE 30, 2025

						Variance with Final Budget Positive (Negative)	
	Biennial Budget		Actual				
	Original	Final	FY 2024	FY 2025	Biennial		
EXPENDITURES (Continued):							
Community Development							
Administration:							
Personnel services	\$ 5,791,850	\$ 5,791,850	\$ 1,887,109	\$ 2,503,257	\$ 4,390,366	\$ 1,401,484	
Materials and services	696,890	696,890	83,065	44,116	127,181	569,709	
	6,488,740	6,488,740	1,970,174	2,547,373	4,517,547	1,971,193	
Contingency	1,039,193	473,992	-	-	-	473,992	
TOTAL EXPENDITURES	86,774,865	88,846,758	36,920,213	39,545,809	76,466,022	12,380,736	
DEFICIENCY OF REVENUES OVER EXPENDITURES							
	(6,383,445)	(8,388,733)	(2,372,364)	(1,389,074)	(3,761,438)	4,627,295	
OTHER FINANCING SOURCES:							
SBITA financing issued	-	1,921,738	1,921,738	483,028	2,404,766	483,028	
Transfers from other funds	4,192,000	4,275,550	500,000	544,362	1,044,362	(3,231,188)	
TOTAL OTHER FINANCING SOURCES	4,192,000	6,197,288	2,421,738	1,027,390	3,449,128	(2,748,160)	
NET CHANGE IN FUND BALANCE							
	(2,191,445)	(2,191,445)	49,374	(361,684)	(312,310)	1,879,135	
FUND BALANCE - beginning	2,191,445	2,191,445	2,821,953	2,871,327	2,821,953	630,508	
FUND BALANCE - ending	\$ -	\$ -	\$ 2,871,327	\$ 2,509,643	\$ 2,509,643	\$ 2,509,643	
RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS							
Adjustment for unrealized gain (loss) on investments						8,154	
FUND BALANCE - GAAP BASIS - ending	\$ -	\$ -	\$ 2,871,327	\$ 2,509,643	\$ 2,509,643	\$ 2,517,797	

CITY OF HILLSBORO, OREGON

SUSTAINABILITY REVOLVING FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS**

YEAR ENDED JUNE 30, 2025

							Variance with Final Budget Positive (Negative)	
	Biennial Budget		Actual		Biennial			
	Original	Final	FY 2024	FY 2025				
REVENUES:								
Miscellaneous income	\$ 4,000	\$ 4,000	\$ -	\$ -	\$ -	\$ (4,000)		
Interest and investments	\$ 3,000	\$ 3,000	\$ 6,935	\$ 9,229	\$ 16,164	\$ 13,164		
TOTAL REVENUES	7,000	7,000	6,935	9,229	16,164	9,164		
EXPENDITURES:								
Materials and services	202,837	202,837	550	-	550	202,287		
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(195,837)	(195,837)	6,385	9,229	15,614	211,451		
OTHER FINANCING SOURCES:								
Transfers from other funds	4,225	4,225	4,225	-	4,225	-		
NET CHANGE IN FUND BALANCE	(191,612)	(191,612)	10,610	9,229	19,839	211,451		
FUND BALANCE - beginning	191,612	191,612	211,591	222,201	211,591	19,979		
FUND BALANCE - ending	\$ -	\$ -	\$ 222,201	\$ 231,430	\$ 231,430	\$ 231,430		
RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS								
Adjustment for unrealized gain (loss) on investments				503				
FUND BALANCE - GAAP BASIS - ending	\$ -	\$ -	\$ 222,201	\$ 231,430	\$ 231,430	\$ 231,430		

CITY OF HILLSBORO, OREGON

FACILITY MANAGEMENT

COMBINING BALANCE SHEET

JUNE 30, 2025

	Facilities Management Operating Fund	Facilities Management Strategic Investment Program Fund	Facilities Management Total
ASSETS			
Cash and cash equivalents	\$ 407,778	\$ 3,439,701	\$ 3,847,479
Investments	5,940,661	50,110,864	56,051,525
Receivables, net	568,127	4,203,993	4,772,120
TOTAL ASSETS	\$ 6,916,566	\$ 57,754,558	\$ 64,671,124
DEFERRED OUTFLOWS OF RESOURCES:			
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 6,139,304	\$ 4,475	\$ 6,143,779
Interfund payable	1,500,000	-	1,500,000
TOTAL LIABILITIES	7,639,304	4,475	7,643,779
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue, lease revenue	404,489	3,824,743	4,229,232
TOTAL DEFERRED INFLOWS OF RESOURCES	404,489	3,824,743	4,229,232
FUND BALANCES:			
Unassigned	(1,127,227)	53,925,340	52,798,113
TOTAL FUND BALANCES	(1,127,227)	53,925,340	52,798,113
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
	\$ 6,916,566	\$ 57,754,558	\$ 64,671,124

CITY OF HILLSBORO, OREGON

FACILITIES MANAGEMENT FUND

**COMBINING SCHEDULE OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES**

YEAR ENDED JUNE 30, 2025

	Facilities Management Operating Fund	Management Strategic Investment Program Fund	Eliminating Adjustments	Total
REVENUES:				
Charges for services	\$ 8,389,579	\$ -	\$ -	\$ 8,389,579
Strategic investment program revenues	-	36,085,319	-	36,085,319
Grants and donations	9,644,890	-	-	9,644,890
Leasehold revenues	90,219	7,760	-	97,979
Miscellaneous income	15,068,738	-	-	15,068,738
Interest and investments	606,489	2,782,426	-	3,388,915
TOTAL REVENUES	33,799,915	38,875,505	-	72,675,420
EXPENDITURES:				
Personnel services	54,277	-	-	54,277
Materials and services	6,980,759	-	-	6,980,759
Capital outlay	57,675,452	-	-	57,675,452
Debt service	897,024	7,350,909	-	8,247,933
Special payments	650	5,075	-	5,725
TOTAL EXPENDITURES	65,608,162	7,355,984	-	72,964,146
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(31,808,247)	31,519,521	-	(288,726)
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of capital assets	-	1,353,712	-	1,353,712
Transfers in	19,876,703	350,000	(12,676,819)	7,549,884
Transfers out	-	(28,440,352)	12,676,819	(15,763,533)
TOTAL OTHER FINANCING SOURCES (USES):	19,876,703	(26,736,640)	-	(6,859,937)
NET CHANGE IN FUND BALANCES	(11,931,544)	4,782,881	-	(7,148,663)
FUND BALANCES - beginning	10,804,317	49,142,459	-	59,946,776
FUND BALANCES - ending	\$ (1,127,227)	\$ 53,925,340	\$ -	\$ 52,798,113

CITY OF HILLSBORO, OREGON

FACILITIES MANAGEMENT OPERATING FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS**

YEAR ENDED JUNE 30, 2025

	Biennial Budget Original	Biennial Budget Final	Actual FY 2024	Actual FY 2025	Variance with Final Budget Biennial	Positive (Negative)
REVENUES:						
Charges for services	\$ 18,405,913	\$ 18,405,913	\$ 7,831,752	\$ 8,389,579	\$ 16,221,331	\$ (2,184,582)
Grants and donations	8,000,000	8,000,000	390,000	9,644,890	10,034,890	2,034,890
Miscellaneous income	107,059,761	107,059,761	88,930	15,068,738	15,157,668	(91,902,093)
Leasehold revenues	229,040	229,040	76,335	90,219	166,554	(62,486)
Interest and investments	400,000	400,000	483,763	418,416	902,179	502,179
TOTAL REVENUES	134,094,714	134,094,714	8,870,780	33,611,842	42,482,622	(91,612,092)
EXPENDITURES:						
Personnel services	225,690	225,690	36,837	54,277	91,114	134,576
Materials and services	16,510,145	16,510,145	6,363,275	6,980,759	13,344,034	3,166,111
Capital outlay	227,506,801	227,506,801	21,211,240	57,675,452	78,886,692	148,620,109
Debt service	1,785,578	1,785,578	888,554	897,024	1,785,578	-
Special payments	581,600	581,600	650	650	1,300	580,300
TOTAL EXPENDITURES	246,609,814	246,609,814	28,500,556	65,608,162	94,108,718	152,501,096
DEFICIENCY OF REVENUES UNDER EXPENDITURES						
	(112,515,100)	(112,515,100)	(19,629,776)	(31,996,320)	(51,626,096)	60,889,004
OTHER FINANCING SOURCES:						
Issuance of debt	58,580,000	58,580,000	-	-	-	(58,580,000)
Interfund loan proceeds	-	-	-	-	1,500,000	1,500,000
Transfers from other funds	33,308,704	33,308,704	11,536,573	19,876,703	31,413,276	(1,895,428)
TOTAL OTHER FINANCING SOURCES	91,888,704	91,888,704	11,536,573	21,376,703	32,913,276	(58,975,428)
NET CHANGE IN FUND BALANCE	(20,626,396)	(20,626,396)	(8,093,203)	(10,619,617)	(18,712,820)	1,913,576
FUND BALANCE - beginning	20,626,396	20,626,396	19,071,730	10,978,527	19,071,730	(1,554,666)
FUND BALANCE - ending	\$ -	\$ -	\$ 10,978,527	\$ 358,910	\$ 358,910	\$ 358,910
RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS						
Adjustment for unrealized gain (loss) on investments						13,863
Adjustment for interfund loan payable						(1,500,000)
FUND BALANCE - GAAP BASIS - ending						\$ (1,127,227)

CITY OF HILLSBORO, OREGON

FACILITIES MANAGEMENT STRATEGIC INVESTMENT PROGRAM FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS**

YEAR ENDED JUNE 30, 2025

						Variance with Final Budget Positive (Negative)	
	Biennial Budget		Actual				
	Original	Final	FY 2024	FY 2025	Biennial		
REVENUES:							
Strategic investment program revenues	\$ 53,518,240	\$ 53,518,240	\$ 35,835,828	\$ 36,085,319	\$ 71,921,147	\$ 18,402,907	
Grants and donations	-	-	23,247	-	23,247	23,247	
Leasehold revenues	201,911	201,911	81,597	7,760	89,357	(112,554)	
Interest	992,080	992,080	1,715,995	2,159,141	3,875,136	2,883,056	
TOTAL REVENUES	54,712,231	54,712,231	37,656,667	38,252,220	75,908,887	21,196,656	
EXPENDITURES:							
Materials and services	1,917,033	1,917,033	-	-	-	1,917,033	
Debt service	31,008,315	31,008,315	5,998,623	20,160,909	26,159,532	4,848,783	
Special payments	10,000	10,000	3,700	5,075	8,775	1,225	
Contingency	22,577,356	22,577,356	-	-	-	22,577,356	
TOTAL EXPENDITURES	55,512,704	55,512,704	6,002,323	20,165,984	26,168,307	29,344,397	
EXCESS OF REVENUES OVER EXPENDITURES	(800,473)	(800,473)	31,654,344	18,086,236	49,740,580	50,541,053	
OTHER FINANCING SOURCES (USES):							
Sale of capital asset	19,156,073	19,156,073	-	20,302,761	20,302,761	1,146,688	
Transfers from other funds	700,000	700,000	350,000	350,000	700,000	-	
Transfer to other funds	(42,480,600)	(42,480,600)	(12,040,248)	(28,440,352)	(40,480,600)	2,000,000	
TOTAL OTHER FINANCING SOURCES (USES)	(22,624,527)	(22,624,527)	(11,690,248)	(7,787,591)	(19,477,839)	3,146,688	
NET CHANGE IN FUND BALANCE	(23,425,000)	(23,425,000)	19,964,096	10,298,645	30,262,741	53,687,741	
FUND BALANCE - beginning	23,425,000	23,425,000	23,545,658	43,509,754	23,545,658	120,658	
FUND BALANCE - ending	\$ -	\$ -	\$ 43,509,754	\$ 53,808,399	\$ 53,808,399	\$ 53,808,399	

RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

Adjustment for unrealized gain (loss) on investments	<u>116,941</u>
FUND BALANCE - GAAP BASIS - ending	<u>\$ 53,925,340</u>

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the City in a trustee or custodial capacity for use by individuals, private organizations, and other governments. These funds are not included in the City's entity-wide financial statement, but because they are funds with an adopted budget in the City's budget, Oregon Revised Statutes require the presentation of the budget to actual schedules in the financial report.

Private Purpose Trust Fund:

Cemetery Endowment Trust Fund: This fund is used to account for endowments and related interest income. The income of the trust is used to maintain the Pioneer Cemetery.

Custodial Funds:

Broadband Users Group Fund: This fund accounts for the collection of partner payments from agencies within the Portland Metropolitan area who have combined resources used for network infrastructure and disbursement to vendors providing services to the Group.

Portland Users Group Fund: This fund accounts for the collection of partner payments from agencies within Portland who have combined resources used for network infrastructure and disbursements to vendors providing services to the Group.

CITY OF HILLSBORO, OREGON

CEMETERY ENDOWMENT TRUST - PRIVATE PURPOSE TRUST FUND

**SCHEDULE OF REVENUES
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS**

YEAR ENDED JUNE 30, 2025

	Biennial Budget			Actual		Variance with Final Budget Positive (Negative)
	Original	Final	FY 2024	FY 2025	Biennial	
REVENUES:						
Interest and investments	\$ 200	\$ 200	\$ 326	\$ 428	\$ 754	\$ 554
FUND BALANCE - beginning	<u>9,912</u>	<u>9,912</u>	<u>9,982</u>	<u>10,308</u>	<u>9,982</u>	<u>70</u>
FUND BALANCE - ending	<u><u>\$ 10,112</u></u>	<u><u>\$ 10,112</u></u>	<u><u>\$ 10,308</u></u>	<u><u>\$ 10,736</u></u>	<u><u>\$ 10,736</u></u>	<u><u>\$ 624</u></u>

CITY OF HILLSBORO, OREGON

CUSTODIAL FUNDS

COMBINING STATEMENT OF NET POSITION

JUNE 30, 2025

	Broadband Users Group Fund	Portland Users Group Fund	Total
ASSETS			
Cash and cash equivalents			
	\$ 876,923	\$ 104,122	\$ 981,045
	<u>5,373</u>	<u>638</u>	<u>6,011</u>
TOTAL ASSETS	<u><u>\$ 882,296</u></u>	<u><u>\$ 104,760</u></u>	<u><u>\$ 987,056</u></u>
LIABILITIES			
Accounts payable			
	<u>6,900</u>	<u>1,655</u>	<u>8,555</u>
TOTAL LIABILITIES	<u><u>6,900</u></u>	<u><u>1,655</u></u>	<u><u>8,555</u></u>
NET POSITION			
Restricted for: Organizations			
	\$ 875,396	\$ 103,105	\$ 978,501

CITY OF HILLSBORO, OREGON

CUSTODIAL FUNDS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2025

	Broadband Users Group Fund	Portland Users Group Fund	Total
ADDITIONS:			
Contributions:			
Other governments and organizations	\$ 481,124	\$ 19,000	\$ 500,124
Total contributions	481,124	19,000	500,124
Investment earnings:			
Interest	35,206	4,020	39,226
Total additions	516,330	23,020	539,350
DEDUCTIONS:			
Recipient payments	751,354	14,293	765,647
Total deductions	751,354	14,293	765,647
Net increase (decrease) in fiduciary net position	(235,024)	8,727	(226,297)
NET POSITION - beginning	1,110,420	94,378	1,204,798
NET POSITION - ending	<u>\$ 875,396</u>	<u>\$ 103,105</u>	<u>\$ 978,501</u>

CITY OF HILLSBORO, OREGON

BROADBAND USERS GROUP FUND

SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS

YEAR ENDED JUNE 30, 2025

	Biennial Budget		Actual		Biennial	Variance with Final Budget Positive (Negative)
	Original	Final	FY 2024	FY 2025		
REVENUES:						
Partner payments	\$ 845,579	\$ 845,579	\$ 427,311	\$ 436,412	\$ 863,723	\$ 18,144
Grants and donations	-	372,312	283,834	44,712	328,546	(43,766)
Interest and investments	15,000	15,000	30,108	35,206	65,314	50,314
TOTAL REVENUES	<u>860,579</u>	<u>1,232,891</u>	<u>741,253</u>	<u>516,330</u>	<u>1,257,583</u>	<u>24,692</u>
EXPENDITURES:						
Materials and services	845,577	1,147,804	350,249	742,261	1,092,510	55,294
Capital outlay	167,000	314,085	299,301	9,093	308,394	5,691
Contingency	824,792	747,792	-	-	-	747,792
TOTAL EXPENDITURES	<u>1,837,369</u>	<u>2,209,681</u>	<u>649,550</u>	<u>751,354</u>	<u>1,400,904</u>	<u>808,777</u>
EXCESS OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE						
	(976,790)	(976,790)	91,703	(235,024)	(143,321)	833,469
FUND BALANCE - beginning	<u>976,790</u>	<u>976,790</u>	<u>1,018,717</u>	<u>1,110,420</u>	<u>1,018,717</u>	<u>41,927</u>
FUND BALANCE - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,110,420</u>	<u>\$ 875,396</u>	<u>\$ 875,396</u>	<u>\$ 875,396</u>

CITY OF HILLSBORO, OREGON

PORTLAND USERS GROUP FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS**

YEAR ENDED JUNE 30, 2025

						Variance with Final Budget Positive (Negative)	
	Biennial Budget		Actual				
	Original	Final	FY 2024	FY 2025	Biennial		
REVENUES:							
Partner payments	\$ 38,000	\$ 38,000	\$ 19,000	\$ 19,000	\$ 38,000	\$ -	
Interest and investments	-	-	2,830	4,020	6,850	6,850	
TOTAL REVENUES	38,000	38,000	21,830	23,020	44,850	6,850	
EXPENDITURES:							
Materials and services	38,000	38,000	8,046	14,293	22,339	15,661	
Contingency	72,275	72,275	-	-	-	72,275	
TOTAL EXPENDITURES	110,275	110,275	8,046	14,293	22,339	87,936	
EXCESS OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE	(72,275)	(72,275)	13,784	8,727	22,511	94,786	
FUND BALANCE - beginning	72,275	72,275	80,594	94,378	80,594	8,319	
FUND BALANCE - ending	\$ -	\$ -	\$ 94,378	\$ 103,105	\$ 103,105	\$ 103,105	

OTHER SCHEDULES

CITY OF HILLSBORO, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS

YEAR ENDED JUNE 30, 2025

Tax Year	Uncollected June 30, 2024	Levy as Extended by Assessor	Discounts Allowed	Adjustments	Collections	Uncollected June 30, 2025
CITY OF HILLSBORO:						
Current year 2024-2025	\$ -	\$ 95,385,412	\$ (2,569,860)	\$ (817,826)	\$ (91,029,294)	\$ 968,432
Prior years						
2023-2024	884,299	-	3,450	(153,388)	(451,771)	282,590
2022-2023	261,801	-	328	30,099	(142,787)	149,441
2021-2022	125,316	-	66	18,594	(84,285)	59,691
2020-2021	51,161	-	26	2,286	(32,458)	21,015
2019-2020	23,545	-	15	(431)	(5,438)	17,691
2018-2019 and prior	41,628	-	-	1,554	(7,543)	35,639
Total prior years	1,387,750	-	3,885	(101,286)	(724,282)	566,067
Total City of Hillsboro	1,387,750	95,385,412	(2,565,975)	(919,112)	(91,753,576)	1,534,499
HILLSBORO ECONOMIC DEVELOPMENT COUNCIL (HEDC)						
Current year 2024-2025	-	20,770,647	(559,600)	(178,086)	(19,822,061)	210,900
Prior years						
2023-2024	174,424	-	681	(30,253)	(89,112)	55,740
2022-2023	38,375	-	48	4,413	(20,931)	21,905
2021-2022	11,504	-	6	1,707	(7,737)	5,480
2020-2021	3,897	-	2	173	(2,471)	1,601
2019-2020	1,486	-	1	(27)	(343)	1,117
2018-2019 and prior	900	-	-	38	(228)	710
Total prior years	230,586	-	738	(23,949)	(120,822)	86,553
Total Hillsboro Economic Development Council	230,586	20,770,647	(558,862)	(202,035)	(19,942,883)	297,453
TOTAL ALL FUNDS	\$ 1,618,336	\$ 116,156,059	\$ (3,124,837)	\$ (1,121,147)	\$ (111,696,459)	\$ 1,831,952

RECONCILIATION OF TAX COLLECTIONS TO TAX REVENUES:	Tax Collections Above	Change in Taxes Subject to Accrual	Property Tax Revenues
	\$	\$	\$
General Fund	\$ 91,753,576	\$ 31,487	\$ 91,785,063
Debt Service Fund:			
HEDC - Downtown	2,513,041	735	2,513,776
HEDC - North	17,429,842	11,905	17,441,747
	\$ 111,696,459	\$ 44,127	\$ 111,740,586

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CITY OF HILLSBORO, OREGON

GENERAL FUND

COMBINING BALANCE SHEET

JUNE 30, 2025

	Fund 100 General Operations	Fund 101 Capital Replacement	Fund 102 Public Arts	Fund 104 Affordable Housing	Fund 120 Economic Development	Fund 125 PERS Stabilization	Fund 242 COVID-19 Response	Total
ASSETS								
Cash and cash equivalents	\$ 2,212,497	\$ 172,036	\$ 51,421	\$ 141,382	\$ 1,840,564	\$ 23,770	\$ 267,707	\$ 4,709,377
Collections held by county treasurer	207,087	-	-	-	-	-	-	207,087
Investments	32,032,376	2,506,291	749,125	2,059,712	26,814,023	346,285	3,900,062	68,407,874
Receivables, net	7,702,537	16,407	4,883	13,484	251,262	2,267	25,926	8,016,766
Lease receivable	30,718	-	-	-	-	-	-	30,718
TOTAL ASSETS	\$ 42,185,215	\$ 2,694,734	\$ 805,429	\$ 2,214,578	\$ 28,905,849	\$ 372,322	\$ 4,193,695	\$ 81,371,822
LIABILITIES:								
Accounts payable	\$ 1,041,521	\$ 31,196	\$ 524	\$ 106,855	\$ 146,875	\$ -	\$ 354,051	\$ 1,681,022
Accrued payroll payable	2,078,000	-	-	-	30,000	-	-	2,108,000
Unearned revenue	995,141	-	-	-	16,183	-	-	1,011,324
TOTAL LIABILITIES	4,114,662	31,196	524	106,855	193,058	-	354,051	4,800,346
DEFERRED INFLOWS OF RESOURCES:								
Unavailable revenue, property taxes	1,244,303	-	-	-	-	-	-	1,244,303
Unavailable revenue, municipal court fines and fees	1,070,500	-	-	-	-	-	-	1,070,500
Unavailable revenue, leases	30,718	-	-	-	-	-	-	30,718
Unavailable revenue, other	248,387	-	-	-	-	-	-	248,387
TOTAL DEFERRED INFLOWS OF RESOURCES	2,593,908	-	-	-	-	-	-	2,593,908
FUND BALANCES:								
Restricted	-	-	-	308,276	28,712,791	-	-	29,021,067
Assigned	-	2,663,538	804,905	1,799,447	-	372,322	-	5,640,212
Unassigned	35,476,645	-	-	-	-	-	3,839,644	39,316,289
TOTAL FUND BALANCES	35,476,645	2,663,538	804,905	2,107,723	28,712,791	372,322	3,839,644	73,977,568
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 42,185,215	\$ 2,694,734	\$ 805,429	\$ 2,214,578	\$ 28,905,849	\$ 372,322	\$ 4,193,695	\$ 81,371,822

Note: This schedule is for informational purposes to provide the reader with a detailed breakdown of the General Fund.

CITY OF HILLSBORO, OREGON

GENERAL FUND

**COMBINING SCHEDULE OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETARY BASIS**

YEAR ENDED JUNE 30, 2025

	Fund 100 General Operations	Fund 101 Capital Replacement	Fund 102 Public Arts	Fund 104 Affordable Housing	Fund 120 Economic Development	Fund 125 PERS Stabilization	Fund 242 COVID-19 Response	Eliminating Adjustments	Total
REVENUES:									
Property and other taxes	\$ 103,765,275	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 103,765,275
Intergovernmental	1,345,814	-	-	10,638,839	-	-	-	-	11,984,653
Franchise fees	27,700,079	-	-	-	-	-	-	-	27,700,079
Licenses and permits	790,054	279,227	-	-	-	-	-	-	1,069,281
Fines, forfeitures, and penalties	657,747	-	-	-	-	-	-	-	657,747
Charges for services	6,621,483	-	-	-	-	-	-	-	6,621,483
Interest and investments	1,593,027	120,958	30,300	80,928	954,653	14,997	179,677	-	2,974,540
Miscellaneous	1,535,624	-	-	-	16,268,832	-	-	-	17,804,456
Grants, donations and other	1,056,937	-	-	-	359,064	-	-	-	1,416,001
TOTAL REVENUES	145,066,040	400,185	30,300	10,719,767	17,582,549	14,997	179,677	-	173,993,515
EXPENDITURES:									
Current:									
General government	8,968,999	-	-	10,814,134	2,724,320	(54,828)	1,490,038	-	23,942,663
Public safety and judicial	89,374,772	-	-	-	-	-	-	-	89,374,772
Community service	13,983,971	50,964	-	-	-	-	-	-	14,034,935
Culture and recreation	36,391,925	71,006	130,264	-	-	-	-	-	36,593,195
Capital outlay	-	1,206,653	-	-	-	-	-	-	1,206,653
Roads and bridges	379,061	-	-	-	-	-	-	-	379,061
Debt service	-	-	-	-	12,500	-	-	-	12,500
TOTAL EXPENDITURES	149,098,728	1,328,623	130,264	10,814,134	2,736,820	(54,828)	1,490,038	-	165,543,779
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,032,688)	(928,438)	(99,964)	(94,367)	14,845,729	69,825	(1,310,361)	-	8,449,736
OTHER FINANCING SOURCES (USES):									
Proceeds from sale of capital assets	10,577	-	-	-	-	-	-	-	10,577
Transfers in	10,886,985	500,000	125,000	350,000	820,000	-	-	(925,000)	11,756,985
Transfers out	(925,000)	-	-	-	-	-	(64,958)	925,000	(64,958)
TOTAL OTHER FINANCING SOURCES (USES):	9,972,562	500,000	125,000	350,000	820,000	-	(64,958)	-	11,702,604
NET CHANGE IN FUND BALANCES	5,939,874	(428,438)	25,036	255,633	15,665,729	69,825	(1,375,319)	-	20,152,340
FUND BALANCES - BUDGETARY BASIS - beginning	29,320,850	3,091,976	779,869	1,852,090	13,047,062	302,497	5,214,963	-	53,609,307
FUND BALANCES - BUDGETARY BASIS - ending	\$ 35,260,724	\$ 2,663,538	\$ 804,905	\$ 2,107,723	\$ 28,712,791	\$ 372,322	\$ 3,839,644	\$ -	\$ 73,761,647
RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS - MODIFIED ACCRUAL									
Adjustment for unrealized gain (loss) on investments	215,921	-	-	-	-	-	-	-	215,921
FUND BALANCES - GAAP BASIS - ending	\$ 35,476,645	\$ 2,663,538	\$ 804,905	\$ 2,107,723	\$ 28,712,791	\$ 372,322	\$ 3,839,644	\$ -	\$ 73,977,568

Note: This schedule is for informational purposes to provide the reader with a detailed breakdown of the General Fund.

STATISTICAL SECTION

Statistical Section

This part of the City of Hillsboro's Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and supplementary information says about the City's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance has changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports for the relevant year.

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FINANCIAL TRENDS

CITY OF HILLSBORO, OREGON

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Governmental activities:										
Net investment in capital assets	\$ 946,528,149	\$ 805,136,314	\$ 733,917,127	\$ 679,587,781	\$ 651,179,360	\$ 584,718,098	\$ 559,162,786	\$ 472,716,772	\$ 441,045,646	\$ 442,083,874
Restricted	226,070,523	206,830,008	177,607,920	155,540,839	121,260,596	125,047,960	77,519,931	71,499,463	69,572,858	64,521,927
Unrestricted	66,453,744	50,232,820	48,197,307	43,302,287	17,897,720	3,419,778	26,705,769	26,973,825	30,061,176	10,187,504
Total governmental activities										
net position	1,239,052,416	1,062,199,142	959,722,354	878,430,907	790,337,676	713,185,836	663,388,486	571,190,060	540,679,680	516,793,305
Business-type activities:										
Net investment in capital assets	328,799,692	309,409,058	272,855,393	254,764,985	234,651,010	249,188,321	295,604,523	248,642,875	231,571,176	217,566,006
Restricted	7,519,442	30,967,073	21,980,528	18,237,222	17,562,236	9,413,576	2,961,981	3,058,467	22,522,895	42,962,898
Unrestricted	432,413,886	363,566,887	329,536,245	300,357,097	288,926,937	234,464,384	157,472,875	149,802,060	131,537,105	109,850,363
Total business-type activities										
net position	768,733,020	703,943,018	624,372,166	573,359,304	541,140,183	493,066,281	456,039,379	401,503,402	385,631,176	370,379,267
Primary government										
Net investment in capital assets	1,275,327,841	1,114,545,372	1,006,772,520	934,352,766	885,830,370	833,906,419	854,767,309	721,359,647	672,616,822	659,649,880
Restricted	233,589,965	237,797,081	199,588,448	173,778,061	138,822,832	134,461,536	80,481,912	74,557,930	92,095,753	107,484,825
Unrestricted	498,867,630	413,799,707	377,733,552	343,659,384	306,824,657	237,884,162	184,178,644	176,775,885	161,598,281	120,037,867
Total primary government										
net position	\$ 2,007,785,436	\$ 1,766,142,160	\$ 1,584,094,520	\$ 1,451,790,211	\$ 1,331,477,859	\$ 1,206,252,117	\$ 1,119,427,865	\$ 972,693,462	\$ 926,310,856	\$ 887,172,572

CITY OF HILLSBORO, OREGON

CHANGES IN NET POSITION

GOVERNMENTAL ACTIVITIES

LAST TEN FISCAL YEARS

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
NET REVENUE (EXPENSE):										
GOVERNMENTAL ACTIVITIES:										
General government	\$ 44,788,097	\$ (9,029,342)	\$ 9,042,724	\$ 8,724,833	\$ (844,044)	\$ (5,935,930)	\$ (12,662,019)	\$ (6,726,399)	\$ (7,530,382)	\$ (10,888,914)
Public safety and judicial	(92,121,591)	(87,845,499)	(76,107,831)	(66,822,257)	(72,471,001)	(69,235,096)	(58,857,756)	(57,479,132)	(55,791,202)	(64,682,036)
Community service	2,494,341	(4,925,523)	(5,610,501)	6,228,521	(11,538,108)	(11,538,616)	(10,474,993)	(10,397,442)	(9,859,926)	(10,492,646)
Culture and recreation	(7,405,366)	(20,658,965)	(18,367,897)	(13,343,702)	(13,218,636)	(14,929,606)	(3,579,157)	(15,627,039)	(10,410,709)	(14,561,828)
Roads and bridges	32,414,848	49,354,195	23,069,016	22,707,562	46,169,243	29,378,672	60,092,426	8,809,658	3,961,566	958,947
Interest on long-term debt and fiscal charges	(6,471,419)	(7,611,236)	(3,546,815)	(3,565,995)	(2,976,010)	(1,877,038)	(1,666,499)	(1,808,329)	(1,769,352)	(1,743,778)
TOTAL GOVERNMENTAL ACTIVITIES	(26,301,090)	(80,716,370)	(71,521,304)	(46,071,038)	(54,878,556)	(74,137,614)	(27,147,998)	(83,228,683)	(81,400,005)	(101,410,255)
GENERAL REVENUES:										
Property taxes levied for:										
General purposes	80,578,371	75,349,241	67,194,878	59,434,341	55,161,229	52,171,054	48,199,682	45,579,790	44,073,489	41,798,002
Public safety	31,331,704	29,760,666	27,612,374	24,571,867	23,290,969	22,367,917	21,706,023	20,834,273	19,841,645	19,026,880
Library	6,155,759	6,035,058	5,975,305	5,801,267	5,632,298	5,553,058	5,347,839	5,226,205	5,049,781	4,680,212
Franchise fees	27,700,079	24,272,149	21,453,975	19,557,380	18,120,483	16,528,708	14,352,010	13,035,524	11,953,802	11,060,815
Other taxes	43,856,230	44,145,597	34,760,657	36,466,580	34,748,551	29,604,271	28,828,283	27,741,901	21,438,614	18,058,388
Earnings on investments	21,210,662	16,061,453	5,637,584	(7,088,216)	632,539	5,467,015	5,145,919	803,451	1,184,427	812,627
Transfers	(4,547,744)	(12,431,006)	(10,316,392)	(4,578,950)	(5,555,673)	(7,757,059)	(4,233,332)	619,575	1,744,622	8,289,033
TOTAL GENERAL REVENUES	206,285,061	183,193,158	152,318,381	134,164,269	132,030,396	123,934,964	119,346,424	113,840,719	105,286,380	103,725,957
CHANGE IN NET POSITION	179,983,971	102,476,788	80,797,077	88,093,231	77,151,840	49,797,350	92,198,426	30,612,036	23,886,375	2,315,702
NET POSITION - beginning	1,062,199,142	959,722,354	878,430,907	790,337,676	713,185,836	663,388,486	571,190,060	540,679,680	516,793,305	514,477,603
RESTATEMENTS	(3,130,697)	-	494,370	-	-	-	-	(101,656)	-	-
NET POSITION - beginning as restated	1,059,068,445	959,722,354	878,925,277	790,337,676	713,185,836	663,388,486	571,190,060	540,578,024	516,793,305	514,477,603
NET POSITION - ending	\$ 1,239,052,416	\$ 1,062,199,142	\$ 959,722,354	\$ 878,430,907	\$ 790,337,676	\$ 713,185,836	\$ 663,388,486	\$ 571,190,060	\$ 540,679,680	\$ 516,793,305

CITY OF HILLSBORO, OREGON

CHANGES IN NET POSITION

BUSINESS TYPE - ACTIVITIES

LAST TEN FISCAL YEARS

	2025	2024	2023	2022
NET REVENUE (EXPENSE):				
BUSINESS-TYPE ACTIVITIES:				
Water	\$ 29,835,103	\$ 32,496,653	\$ 25,569,483	\$ 24,907,050
Sewer and surface water management	21,042,915	26,814,937	16,010,188	10,669,454
Transit facility management	(157,758)	(547,191)	(569,318)	(582,816)
Broadband	(2,889,450)	(3,218,658)	(3,020,036)	(2,255,145)
Property management	27,423	28,927	26,790	(12,598)
TOTAL BUSINESS-TYPE ACTIVITIES	47,858,233	55,574,758	38,017,107	32,725,945
Earnings on investments	12,744,037	11,565,088	2,679,363	(5,085,774)
Transfers	4,547,744	12,431,006	10,316,392	4,578,950
TOTAL GENERAL REVENUES	17,291,781	23,996,094	12,995,755	(506,824)
CHANGE IN NET POSITION	65,150,014	79,570,852	51,012,862	32,219,121
NET POSITION - beginning	703,943,018	624,372,166	573,359,304	541,140,183
RESTATEMENTS	(360,012)	-	-	-
NET POSITION - beginning as restated	703,583,006	624,372,166	573,359,304	541,140,183
NET POSITION - ending	\$ 768,733,020	\$ 703,943,018	\$ 624,372,166	\$ 573,359,304

CHANGES IN NET POSITION

GOVERNMENT-WIDE SUMMARY

LAST TEN FISCAL YEARS

	2025	2024	2023	2022
SUMMARY				
Net Revenues/(Expense):				
Governmental activities	\$ (26,301,090)	\$ (80,716,370)	\$ (71,521,304)	\$ (46,071,038)
Business-type activities	47,858,233	55,574,758	38,017,107	32,725,945
Total Net Revenues/(Expense)	21,557,143	(25,141,612)	(33,504,197)	(13,345,093)
General Revenues:				
Governmental activities	\$ 206,285,061	183,193,158	152,318,381	\$ 134,164,269
Business-type activities	17,291,781	23,996,094	12,995,755	(506,824)
Total General Revenues	223,576,842	207,189,252	165,314,136	133,657,445
Total change in net position	\$ 245,133,985	\$ 182,047,640	\$ 131,809,939	\$ 120,312,352

	2021	2020	2019	2018	2017	2016
	\$ 25,309,064	\$ 15,406,035	\$ 20,349,937	\$ 11,255,935	\$ 10,760,086	\$ 13,323,353
	20,436,031	11,958,937	28,139,730	6,729,195	5,782,899	5,333,196
	(529,777)	(1,109,023)	(511,614)	(563,208)	(555,358)	(504,790)
	(2,014,690)	(1,257,374)	(461,792)	-	-	-
	(11,388)	(3,175)	(2,302)	(11,588)	(2,645)	(923)
	43,189,240	24,995,400	47,513,959	17,410,334	15,984,982	18,150,836
	(671,011)	4,274,443	2,788,686	455,200	1,011,549	710,510
	5,555,673	7,757,059	4,233,332	(619,575)	(1,744,622)	(8,289,033)
	4,884,662	12,031,502	7,022,018	(164,375)	(733,073)	(7,578,523)
	48,073,902	37,026,902	54,535,977	17,245,959	15,251,909	10,572,313
	493,066,281	456,039,379	402,877,135	385,631,176	370,379,267	359,806,954
	-	-	(1,373,733)	-	-	-
	493,066,281	456,039,379	401,503,402	385,631,176	370,379,267	359,806,954
	\$ 541,140,183	\$ 493,066,281	\$ 456,039,379	\$ 402,877,135	\$ 385,631,176	\$ 370,379,267

	2021	2020	2019	2018	2017	2016
	\$ (54,878,556)	\$ (74,137,614)	\$ (27,147,998)	\$ (83,228,683)	\$ (81,400,005)	\$ (101,410,255)
	43,189,240	24,995,400	47,513,959	17,410,334	15,984,982	18,150,836
	(11,689,316)	(49,142,214)	20,365,961	(65,818,349)	(65,415,023)	(83,259,419)
	\$ 132,030,396	\$ 123,934,964	\$ 119,346,424	\$ 113,840,719	\$ 105,286,380	\$ 103,725,957
	4,884,662	12,031,502	7,022,018	(164,375)	(733,073)	(7,578,523)
	136,915,058	135,966,466	126,368,442	113,676,344	104,553,307	96,147,434
	\$ 125,225,742	\$ 86,824,252	\$ 146,734,403	\$ 47,857,995	\$ 39,138,284	\$ 12,888,015

CITY OF HILLSBORO, OREGON

FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

General Fund	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Restricted	\$ 29,021,067	\$ 380,710	\$ 255,994	\$ 203,783	\$ 193,559	\$ 111,709	\$ -	\$ -	\$ -	\$ -
Assigned	5,640,212	18,692,784	19,045,338	12,884,461	9,743,402	7,965,335	5,777,125	6,543,635	5,604,319	5,310,586
Unassigned	39,316,289	33,502,053	29,804,830	35,007,170	25,359,380	26,972,468	25,248,112	22,457,492	19,583,078	18,000,150
Total General Fund	73,977,568	52,575,547	49,106,162	48,095,414	35,296,341	35,049,512	31,025,237	29,001,127	25,187,397	23,310,736
All Other Governmental Funds					163,100,637	124,019,724	76,942,887	71,507,193	69,572,858	64,521,927
Restricted	341,179,806	322,701,715	216,000,911	195,604,245	8,728,696	8,905,859	8,994,662	8,025,209	7,132,334	4,659,844
Committed	7,026,065	7,775,911	7,265,425	10,270,679	10,643,464	10,556,642	9,096,250	4,033,249	6,852,185	11,527,781
Assigned	4,447,707	1,813,256	9,209,236	9,171,227	(997,783)	(804,756)	(1,178,495)	(3,639,723)	(3,736,207)	(5,214,448)
Unassigned	(589,203)	(1,214,284)	(1,248,882)	(898,872)						
Total all Other Governmental Funds	352,064,375	331,076,598	231,226,690	214,147,279	181,475,014	142,677,469	93,855,304	79,925,928	79,821,170	75,495,104
Total Fund Balance Governmental Funds	\$ 426,041,943	\$ 383,652,145	\$ 280,332,852	\$ 262,242,693	\$ 216,771,355	\$ 177,726,981	\$ 124,880,541	\$ 108,927,055	\$ 105,008,567	\$ 98,805,840

CITY OF HILLSBORO, OREGON

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
REVENUES:										
Property and other taxes	\$ 123,720,798	\$ 117,154,818	\$ 107,208,466	\$ 95,421,274	\$ 88,694,345	\$ 85,349,910	\$ 82,166,065	\$ 77,756,265	\$ 72,126,358	\$ 67,811,631
Intergovernmental	23,193,663	12,848,054	12,582,409	29,353,350	11,590,029	13,608,349	10,657,759	8,101,267	7,733,733	7,116,219
Franchise fees	27,700,079	24,272,149	21,453,975	19,557,380	18,120,483	16,528,708	14,352,010	13,035,524	11,953,802	11,060,815
Licenses and permits	12,142,098	13,146,581	17,623,201	19,266,917	12,546,641	16,372,548	10,632,090	8,960,019	8,887,511	5,992,365
Fines, forfeitures, and penalties	657,747	664,788	524,894	524,162	561,450	607,211	670,572	647,886	390,155	1,210,131
Charges for services	23,328,222	25,687,233	29,935,038	32,093,396	17,490,410	19,934,492	20,804,583	13,737,952	19,391,650	17,069,688
Gain share contributions	6,491,046	6,338,606	6,373,594	6,281,203	6,195,836	6,192,047	5,871,198	5,832,891	5,831,296	5,748,252
Construction Reimbursement	1,616,801	-	1,640,257	2,465,134	3,351,065	-	-	-	-	-
Interest	16,960,560	12,744,974	4,602,598	(5,835,824)	613,825	3,990,864	5,320,839	616,366	993,680	729,244
Miscellaneous	24,030,418	8,268,906	14,039,038	5,276,488	3,013,923	7,071,730	3,379,382	4,504,855	4,224,354	9,787,893
Grants, donations and other	3,869,474	6,725,575	5,927,338	23,548,495	4,589,257	2,843,466	1,332,408	1,940,925	1,917,531	2,285,255
TOTAL REVENUES	263,710,906	227,851,684	221,910,808	227,951,975	166,767,264	172,499,325	155,186,906	135,133,950	133,450,070	128,811,493
EXPENDITURES:										
Current:										
General government	35,847,091	30,273,328	22,913,941	38,364,470	20,325,985	18,976,291	23,225,114	14,495,988	14,871,733	13,158,586
Public safety and judicial	89,475,987	82,586,573	76,639,751	69,063,336	64,830,843	62,141,655	59,638,666	55,622,045	51,759,871	49,572,967
Community service	14,682,837	13,998,783	12,727,943	11,946,011	10,975,455	11,379,932	10,259,052	9,521,571	9,003,873	8,525,456
Culture and recreation	36,593,195	33,524,501	31,067,170	26,952,774	22,152,119	21,882,853	20,975,384	20,319,720	19,684,652	18,530,214
Roads and bridges	15,911,694	13,852,708	40,215,815	12,763,174	12,543,085	12,281,640	11,998,061	12,253,337	10,923,850	9,617,449
Capital outlay:										
General government	4,276,522	3,238,958	13,414,222	5,509,275	5,954,877	2,209,710	2,603,918	5,997,357	2,800,847	14,756,030
Roads and bridges	13,058,615	4,908,238	7,012,894	7,769,255	11,866,644	11,994,252	16,009,343	13,617,051	5,212,911	11,089,862
Debt service:										
Principal payments	4,585,586	7,155,206	2,066,691	1,601,059	2,656,737	2,828,721	1,387,637	1,380,463	725,964	709,942
Interest and fiscal charges	6,541,802	1,712,904	1,485,239	1,512,977	840,218	(25,815)	1,703,611	175,917	88,619	104,642
TOTAL EXPENDITURES	220,973,329	191,251,199	207,543,666	175,482,331	152,145,963	143,669,239	147,800,786	133,383,449	115,072,320	126,065,148
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	42,737,577	36,600,485	14,367,142	52,469,644	14,621,301	28,830,086	7,386,120	1,750,501	18,377,750	2,746,345
OTHER FINANCING SOURCES (USES):										
Proceeds from sale of assets	136,589	220,364	103,634	44,868	58,396	22,014	238,313	12,628	46,181	14,693
Lease financing	-	-	-	-	-	-	-	266,479	-	-
Transfers in	22,881,985	13,558,015	28,521,000	23,290,976	16,994,383	13,856,112	28,295,000	15,418,118	8,931,000	12,863,500
Transfers out	(22,260,442)	(30,199,571)	(37,401,617)	(30,334,150)	(17,915,706)	(12,861,772)	(19,965,947)	(16,172,988)	(21,152,204)	(20,144,002)
Reclassified land held for resale	(1,105,911)	-	-	-	-	-	-	-	-	-
Notes payable proceeds	-	-	-	-	25,286,000	23,000,000	-	2,643,750	-	-
Bond proceeds	-	83,140,000	12,500,000	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(347,779)	66,718,808	3,723,017	(6,998,306)	24,423,073	24,016,354	8,567,366	2,167,987	(12,175,023)	(7,265,809)
NET CHANGE IN FUND BALANCES	42,389,798	103,319,293	18,090,159	45,471,338	39,044,374	52,846,440	15,953,486	3,918,488	6,202,727	(4,519,464)
FUND BALANCE - beginning	383,652,145	280,332,852	262,242,693	216,771,355	177,726,981	124,880,541	108,927,055	105,008,567	98,805,840	103,325,304
FUND BALANCE - ending	\$ 426,041,943	\$ 383,652,145	\$ 280,332,852	\$ 262,242,693	\$ 216,771,355	\$ 177,726,981	\$ 124,880,541	\$ 108,927,055	\$ 105,008,567	\$ 98,805,840
Debt service as a percentage of noncapital expenditures	5.36%	4.82%	1.88%	1.90%	2.60%	2.16%	2.43%	1.50%	0.83%	0.87%

CITY OF HILLSBORO, OREGON

GOVERNMENT- WIDE EXPENSES BY FUNCTION

LAST TEN FISCAL YEARS

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Governmental activities:										
General government	\$ 42,873,493	\$ 35,660,529	\$ 27,299,450	\$ 41,190,684	\$ 24,941,727	\$ 22,962,500	\$ 25,570,431	\$ 17,461,652	\$ 17,814,468	\$ 17,428,620
Public safety and judicial	95,502,740	90,723,225	78,756,137	69,407,628	74,375,649	71,266,785	61,632,617	59,773,099	56,874,957	65,959,570
Community service	15,510,160	13,177,485	13,497,101	12,169,666	12,693,360	12,719,759	11,051,615	10,588,672	10,066,795	10,736,174
Culture and recreation	44,733,516	40,803,737	37,591,306	31,358,480	27,926,620	26,695,001	24,510,019	24,711,372	23,192,981	24,358,045
Roads and bridges	23,387,235	21,275,437	46,076,572	16,977,619	16,377,526	16,322,613	15,095,302	12,683,176	19,442,933	28,371,221
Interest on long-term debt	6,471,419	7,611,236	3,546,815	3,565,995	2,976,010	1,877,038	1,666,499	1,808,329	1,769,352	1,743,778
Total governmental activities	<u>228,478,563</u>	<u>209,251,649</u>	<u>206,767,381</u>	<u>174,670,072</u>	<u>159,290,892</u>	<u>151,843,696</u>	<u>139,526,483</u>	<u>127,026,300</u>	<u>129,161,486</u>	<u>148,597,408</u>
Business-type activities:										
Water	40,175,534	35,705,485	29,684,594	27,029,149	28,196,604	27,393,882	22,128,918	21,239,423	22,091,668	19,661,214
Sewer and surface water management	23,543,959	19,704,777	18,110,213	16,201,160	15,486,334	14,308,668	12,577,272	11,907,817	11,979,162	11,526,615
Transit facility management	1,025,225	933,864	873,316	833,086	782,098	1,333,523	823,395	805,222	767,083	726,959
Broadband	4,147,422	4,052,203	3,748,093	2,419,655	2,174,704	1,257,374	461,792	-	-	-
Property management	-	-	-	30,202	26,238	22,062	24,884	42,023	30,529	27,384
Total business-type activities	<u>68,892,140</u>	<u>60,396,329</u>	<u>52,416,216</u>	<u>46,513,252</u>	<u>46,665,978</u>	<u>44,315,509</u>	<u>36,016,261</u>	<u>33,994,485</u>	<u>34,868,442</u>	<u>31,942,172</u>
Total	<u>\$ 297,370,703</u>	<u>\$ 269,647,978</u>	<u>\$ 259,183,597</u>	<u>\$ 221,183,324</u>	<u>\$ 205,956,870</u>	<u>\$ 196,159,205</u>	<u>\$ 175,542,744</u>	<u>\$ 161,020,785</u>	<u>\$ 164,029,928</u>	<u>\$ 180,539,580</u>

CITY OF HILLSBORO, OREGON

GOVERNMENT-WIDE REVENUE BY PROGRAM

LAST TEN FISCAL YEARS

	2025			2024		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Program revenues:						
Fees, fines and charges for services						
General Government	\$ 29,933,919	\$ -	\$ 29,933,919	\$ 21,513,121	\$ -	\$ 21,513,121
Culture and Recreation	13,009,649	-	13,009,649	13,620,332	-	13,620,332
Roads and Bridges	14,746,620	-	14,746,620	15,158,742	-	15,158,742
Water	-	66,411,181	66,411,181	-	61,890,881	61,890,881
Sewer and SWM	-	32,505,707	32,505,707	-	28,101,526	28,101,526
Other	20,130,992	2,152,862	22,283,854	9,253,671	1,249,235	10,502,906
Operating grants and contributions						
Roads and Bridges	11,209,010	-	11,209,010	10,910,162	-	10,910,162
Other	2,433,265	-	2,433,265	2,440,250	100,000	2,540,250
Capital grants and contributions						
Roads and Bridges	29,846,453	-	29,846,453	44,560,728	-	44,560,728
Water	-	3,599,456	3,599,456	-	6,211,257	6,211,257
Sewer and SWM	-	12,081,167	12,081,167	-	18,418,188	18,418,188
Other	80,167,565	-	80,167,565	11,078,273	-	11,078,273
General revenues:						
Taxes	118,065,834	-	118,065,834	111,144,965	-	111,144,965
Franchise fees	27,700,079	-	27,700,079	24,272,149	-	24,272,149
Earnings on investments	21,210,662	12,744,037	33,954,699	16,061,453	11,565,088	27,626,541
Miscellaneous	43,856,230	-	43,856,230	44,145,597	-	44,145,597
Transfers	(4,547,744)	4,547,744	-	(12,431,006)	12,431,006	-
Total	\$ 408,462,534	\$ 134,042,154	\$ 542,504,688	\$ 311,728,437	\$ 139,967,181	\$ 451,695,618

	2020			2019		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Program revenues:						
Fees, fines and charges for services						
General Government	\$ 13,969,303	\$ -	\$ 13,969,303	\$ 10,414,185	\$ -	\$ 10,414,185
Culture and Recreation	9,611,519	-	9,611,519	11,989,443	-	11,989,443
Roads and Bridges	16,988,242	-	16,988,242	9,648,157	-	9,648,157
Water	-	41,291,424	41,291,424	-	36,875,551	36,875,551
Sewer and SWM	-	19,994,794	19,994,794	-	18,998,545	18,998,545
Other	1,933,477	243,387	2,176,864	2,774,592	334,363	3,108,955
Operating grants and contributions						
Roads and Bridges	12,073,151	-	12,073,151	9,379,286	-	9,379,286
Other	1,525,766	-	1,525,766	776,326	-	776,326
Capital grants and contributions						
Roads and Bridges	16,639,892	-	16,639,892	56,160,285	-	56,160,285
Water	-	1,508,493	1,508,493	-	5,603,304	5,603,304
Sewer and SWM	-	6,272,811	6,272,811	-	21,718,457	21,718,457
Other	4,964,732	-	4,964,732	11,236,211	-	11,236,211
General revenues:						
Taxes	80,092,029	-	80,092,029	75,253,544	-	75,253,544
Franchise fees	16,528,708	-	16,528,708	14,352,010	-	14,352,010
Earnings on investments	5,467,015	4,274,443	9,741,458	5,145,919	2,788,686	7,934,605
Miscellaneous	29,604,271	-	29,604,271	28,828,283	-	28,828,283
Transfers	(7,757,059)	7,757,059	-	(4,233,332)	4,233,332	-
Total	\$ 201,641,046	\$ 81,342,411	\$ 282,983,457	\$ 231,724,909	\$ 90,552,238	\$ 322,277,147

	2023			2022			2021		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Program revenues:									
Fees, fines and charges for services	\$ 24,618,752	\$ -	\$ 24,618,752	\$ 28,005,762	\$ -	\$ 28,005,762	\$ 19,564,511	\$ -	\$ 19,564,511
General Government	15,538,806	-	15,538,806	12,151,830	-	12,151,830	9,102,412	-	9,102,412
Culture and Recreation	34,624,579	-	34,624,579	21,474,883	-	21,474,883	11,104,460	-	11,104,460
Roads and Bridges	-	52,887,454	52,887,454	-	50,716,365	50,716,365	-	49,310,057	49,310,057
Water	-	23,546,424	23,546,424	-	23,203,771	23,203,771	-	20,067,047	20,067,047
Sewer and SWM	-	9,897,793	1,058,845	-	2,416,077	2,416,077	-	1,602,154	305,298
Other	-	-	-	-	-	-	-	-	1,907,452
Operating grants and contributions									
Roads and Bridges	10,717,213	-	10,717,213	10,804,099	-	10,804,099	9,883,422	-	9,883,422
Other	1,442,327	-	1,442,327	36,644,024	1,389,162	36,644,024	353,500	1,742,662	
Capital grants and contributions									
Roads and Bridges	23,803,796	-	23,803,796	7,406,199	-	7,406,199	41,558,887	-	41,558,887
Water	-	2,366,623	2,366,623	-	1,219,834	1,219,834	-	3,842,111	3,842,111
Sewer and SWM	-	10,573,977	10,573,977	-	3,666,843	3,666,843	-	15,855,318	15,855,318
Other	-	14,602,811	9,696,160	-	9,696,160	9,696,160	-	10,207,328	121,887
General revenues:									
Taxes	100,782,557	-	100,782,557	89,807,475	-	89,807,475	84,084,496	-	84,084,496
Franchise fees	21,453,975	-	21,453,975	19,557,380	-	19,557,380	18,120,483	-	18,120,483
Earnings on investments	5,637,584	2,679,363	8,316,947	(7,088,216)	(5,085,774)	(12,173,990)	632,539	(671,011)	(38,472)
Miscellaneous	34,760,657	-	34,760,657	36,466,580	-	36,466,580	34,748,551	-	34,748,551
Transfers	(10,316,392)	10,316,392	-	(4,578,950)	4,578,950	-	(5,555,673)	5,555,673	-
Total	\$ 287,564,458	\$ 103,429,078	\$ 390,993,536	\$ 262,763,303	\$ 78,732,373	\$ 341,495,776	\$ 236,442,732	\$ 94,739,880	\$ 331,182,612

Total

	2018			2017			2016		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Program revenues:									
Fees, fines and charges for services	\$ 9,572,818	\$ -	\$ 9,572,818	\$ 9,521,103	\$ -	\$ 9,521,103	\$ 6,104,028	\$ -	\$ 6,104,028
General Government	6,720,122	-	6,720,122	8,702,862	-	8,702,862	7,973,700	-	7,973,700
Culture and Recreation	8,776,642	-	8,776,642	8,776,242	13,002,085	13,002,085	16,282,499	-	16,282,499
Roads and Bridges	-	31,887,786	31,887,786	-	32,034,488	32,034,488	-	31,928,457	31,928,457
Water	-	17,035,601	17,035,601	-	14,848,596	14,848,596	-	14,347,881	14,347,881
Sewer and SWM	-	2,118,588	2,722,449	-	1,148,488	2,391,037	-	1,415,630	248,630
Other	-	6,930,882	525,213	-	7,115,513	525,213	-	6,363,740	648,556
Operating grants and contributions									
Roads and Bridges	16,639,892	-	16,639,892	56,160,285	-	56,160,285	5,785,710	3,286,901	6,683,929
Other	-	1,508,493	-	-	607,572	607,572	-	817,266	1,056,110
Capital grants and contributions									
Roads and Bridges	-	6,272,811	-	-	1,601,411	1,601,411	-	1,191,845	2,511,930
Water	-	4,964,732	-	-	3,368,042	3,368,042	-	4,028,236	1,715,071
Sewer and SWM	-	11,236,211	-	-	2,774,1901	2,774,1901	-	1,722,620	5,749,856
Other	-	-	-	-	619,575	(619,575)	-	(1,744,622)	(8,289,033)
General revenues:									
Taxes	71,640,268	-	71,640,268	68,964,915	-	68,964,915	65,505,094	-	65,505,094
Franchise fees	13,035,524	-	13,035,524	11,953,802	-	11,953,802	11,060,815	-	11,060,815
Earnings on investments	803,451	455,200	1,258,651	1,184,427	1,011,549	2,195,976	812,627	710,510	1,523,137
Miscellaneous	27,741,901	-	27,741,901	21,438,614	-	21,438,614	18,058,388	-	18,058,388
Transfers	619,575	(619,575)	-	1,744,622	(1,744,622)	-	8,289,033	(8,289,033)	-
Total	\$ 157,638,336	\$ 51,240,444	\$ 208,878,780	\$ 153,047,861	\$ 50,120,351	\$ 203,168,212	\$ 150,913,110	\$ 42,514,485	\$ 193,427,595

CITY OF HILLSBORO, OREGON

GENERAL GOVERNMENT EXPENDITURES BY FUNCTION (1)

LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Public Safety and Judicial						Debt Service		
	General Government	Community Service	Culture and Recreation	Roads and Bridges	Capital Outlay	Principal	Interest	Total	
2016	\$ 13,158,586	\$ 49,572,967	\$ 8,525,456	\$ 18,530,214	\$ 9,617,449	\$ 25,845,892	\$ 709,942	\$ 104,642	\$ 126,065,148
2017	14,871,733	51,759,871	9,003,873	19,684,652	10,923,850	8,013,758	725,964	88,619	115,072,320
2018	14,495,988	55,622,045	9,521,571	20,319,720	12,253,337	19,614,408	1,380,463	175,917	133,383,449
2019	23,225,114	59,638,666	10,259,052	20,975,384	11,998,061	18,613,261	1,387,637	1,703,611	147,800,786
2020	18,976,291	62,141,655	11,379,932	21,882,853	12,281,640	14,203,962	2,828,721	(25,815)	143,669,239
2021	20,325,985	64,830,843	10,975,455	22,152,119	12,543,085	17,821,521	2,656,737	840,218	152,145,963
2022	38,364,470	69,063,336	11,946,011	26,952,774	12,763,174	13,278,530	1,601,059	1,512,977	175,482,331
2023	22,913,941	76,639,751	12,727,943	31,067,170	40,215,815	20,427,116	2,066,691	1,485,239	207,543,666
2024	30,273,328	82,586,573	13,998,783	33,524,501	13,852,708	8,147,196	7,155,206	1,712,904	191,251,199
2025	35,847,091	89,475,987	14,682,837	36,593,195	15,911,694	17,335,137	4,585,586	6,541,802	220,973,329

Note:

(1) Includes General, Special Revenue, Debt Service, and Capital Projects Funds.

GENERAL GOVERNMENT REVENUES BY SOURCE (2)

LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Property, Licor						Charges for Services			Gain Share Contributions		
	Cigarette & Other Taxes	Library Serial Levy	Inter- governmental	Franchise Fees	Licenses and Permits	Fines and Forfeitures	Interest	Other	Total	Interest	Other	Total
2016	\$ 63,131,419	\$ 4,680,212	\$ 7,116,219	\$ 11,060,815	\$ 5,992,365	\$ 1,210,131	\$ 17,069,688	\$ 5,748,252	\$ 729,244	\$ 12,073,148	\$ 128,811,493	
2017	67,076,577	5,049,781	7,733,733	11,953,802	8,887,511	390,155	19,391,650	5,831,296	993,680	6,141,885	133,450,070	
2018	72,530,060	5,226,205	8,101,267	13,035,524	8,960,019	647,886	13,737,952	5,832,891	616,366	6,445,780	135,133,950	
2019	76,818,226	5,347,839	10,657,759	14,352,010	10,632,090	670,572	20,804,583	5,871,198	5,320,839	4,711,790	155,186,906	
2020	79,796,852	5,553,058	13,608,349	16,528,708	16,372,548	607,211	19,934,492	6,192,047	3,990,864	9,915,196	172,499,325	
2021	83,062,047	5,632,298	11,590,029	18,120,483	12,546,641	561,450	17,490,410	6,195,836	613,825	10,954,245	166,767,264	
2022	89,620,007	5,801,267	29,353,350	19,557,380	19,266,917	524,162	32,093,396	6,281,203	2,465,134	22,989,159	227,951,975	
2023	101,233,161	5,975,305	12,582,409	21,453,975	17,623,201	524,894	29,935,038	6,373,594	4,602,598	21,606,633	221,910,808	
2024	111,119,760	6,035,058	12,848,054	24,272,149	13,146,581	664,788	25,687,233	6,338,606	12,744,974	14,994,481	227,851,684	
2025	117,565,039	6,155,759	23,193,663	27,700,079	12,142,098	657,747	23,328,222	6,491,046	16,960,560	29,516,693	263,710,906	

Note:

(2) Includes General, Special Revenue, Debt Service, and Capital Projects Funds.

Source: Current and prior City Annual Comprehensive Financial Reports.

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REVENUE CAPACITY

CITY OF HILLSBORO, OREGON

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY (1)

LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Real Property		Personal Property		Public Utilities		Total		Ratio of Assessed to Total Market Value	Hillsboro Economic Development Council	Net Value Used to Calculate Property Tax Rates	Total Direct Tax Rate
	Market Value	Assessed Value	Market Value	Assessed Value	Market Value	Assessed Value	Market Value	Assessed Value				
2016	\$ 24,056,624,390	\$ 10,103,741,610	\$ 1,022,957,553	\$ 910,150,644	\$ 470,667,431	\$ 438,009,230	\$ 25,550,249,374	\$ 11,451,901,484	44.82 %	\$ 76,244,538	\$ 11,375,656,946	\$ 5.39
2017	27,268,069,630	10,494,431,530	1,182,423,349	986,308,025	497,316,530	494,219,888	28,947,809,509	11,974,959,443	41.37	124,527,560	11,850,431,883	5.39
2018	30,018,138,720	10,794,412,890	1,449,333,806	1,253,809,336	560,608,037	554,405,927	32,028,080,563	12,602,628,153	39.35	164,739,313	12,437,888,840	5.39
2019	27,285,855,650	11,460,246,770	1,151,034,185	894,216,047	529,001,883	528,710,500	28,965,891,718	12,883,173,317	44.48	252,437,087	12,630,736,230	5.39
2020	28,546,133,274	12,031,321,964	1,216,636,254	959,200,164	567,843,251	567,425,000	30,330,612,779	13,557,947,128	44.70	387,551,602	13,170,395,526	5.39
2021	35,023,725,280	12,461,109,040	1,604,486,553	1,064,772,926	656,550,953	651,707,400	37,284,762,786	14,177,589,366	38.03	483,939,000	13,693,650,366	5.39
2022	38,378,735,440	13,147,561,040	1,903,649,673	1,151,738,627	785,394,879	779,766,600	41,067,779,992	15,079,066,267	36.72	628,277,612	14,450,788,655	5.39
2023	46,308,183,630	14,327,701,440	2,091,665,808	1,187,438,431	870,889,752	869,494,200	49,270,739,190	16,384,634,071	33.25	1,083,337,464	15,301,296,607	5.39
2024	51,882,419,636	15,126,035,120	2,593,801,447	1,681,858,214	989,677,160	933,971,940	55,465,898,243	17,741,865,274	31.99	1,547,318,251	16,194,547,023	5.39
2025	56,498,387,650	15,696,626,120	3,310,157,177	2,033,612,039	1,173,574,893	1,103,873,030	60,982,119,720	18,834,111,189	30.88	1,794,352,433	17,039,758,756	5.39

Source: Washington County Department of Assessment and Taxation.

Notes:

(1) Total Assessed Value including Urban Renewal incremental assessed value.

CITY OF HILLSBORO, OREGON

**PROPERTY TAX RATES -
DIRECT AND OVERLAPPING GOVERNMENTS PROPERTY TAX RATES**

LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	City of Hillsboro Direct Rates				City of Hillsboro Levied Rates		
	General Fund	Local Option Levy	Debt Service Fund	Total Direct Levy	General Fund	Local Option Levy	Urban Renewal Rate*
2016	\$ 3.67	\$ 1.72	\$ -	\$ 5.39	\$ 3.64	\$ 1.72	\$ 0.09
2017	3.67	1.72	-	5.39	3.63	1.72	0.14
2018	3.67	1.72	-	5.39	3.62	1.72	0.17
2019	3.67	1.72	-	5.39	3.59	1.72	0.24
2020	3.67	1.72	-	5.39	3.56	1.72	0.35
2021	3.67	1.72	-	5.39	3.54	1.72	0.42
2022	3.67	1.72	-	5.39	3.51	1.72	0.50
2023	3.67	1.72	-	5.39	3.42	1.72	0.80
2024	3.67	1.72	-	5.39	3.35	1.72	1.05
2025	3.67	1.72	-	5.39	3.32	1.72	1.15

The information provided above represents tax code 7.01 in the City.

The City is spread across 34 tax codes with various variations in tax authority.

The above is the best representation of what the average City taxpayer will pay in any given year.

* The City levied rates vary slightly from the City direct rates due to the urban renewal rate. The urban renewal rate is derived from the City of Hillsboro and the overlapping districts' permanent rates. Prior year rates have been adjusted to reflect a consistent calculation.

Source: Washington County Department of Assessment and Taxation.

Note: To raise additional tax authority above the permanent rate, it must be approved by a simple majority of the voters in an election.

Levied Overlapping Rates					
Washington County	Schools	Port of Portland	Metro Service District	Tualatin Soil & Water District	Total
\$ 2.82	\$ 7.92	\$ 0.07	\$ 0.39	\$ -	\$ 16.65
2.94	7.95	0.07	0.40	-	16.85
2.93	7.82	0.07	0.41	0.08	16.82
2.91	7.86	0.07	0.47	0.07	16.93
2.89	7.84	0.07	0.66	0.08	17.17
2.88	7.87	0.07	0.59	0.08	17.17
2.91	7.68	0.07	0.57	0.08	17.04
2.86	7.39	0.07	0.56	0.06	16.88
2.81	7.22	0.06	0.57	0.07	16.85
2.79	7.15	0.06	0.56	0.08	16.83

CITY OF HILLSBORO, OREGON

CONSOLIDATED TAX RATES

LAST TEN FISCAL YEARS

<u>Fiscal Year Ended June 30,</u>	<u>Total</u>	<u>General Fund</u>	<u>Local Option Levy</u>
2016	\$ 5.39	\$ 3.67	\$ 1.72
2017	5.39	3.67	1.72
2018	5.39	3.67	1.72
2019	5.39	3.67	1.72
2020	5.39	3.67	1.72
2021	5.39	3.67	1.72
2022	5.39	3.67	1.72
2023	5.39	3.67	1.72
2024	5.39	3.67	1.72
2025	5.39	3.67	1.72

These tax rates exclude Hillsboro Urban Renewal District because the rates vary by overlapping districts.

Sources: Washington County Department of Assessment and Taxation.

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CITY OF HILLSBORO, OREGON

PRINCIPAL TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

JUNE 30, 2025

Taxpayer	Type of Business	Rank	2025		
			Assessed Valuation	Percentage of Total Assessed Valuation	Levied Taxes
Intel Corporation	Computer Industry	1	\$ 1,730,660,349	9.19 %	\$ 29,414,674
Portland General Electric	Utilities	2	524,760,660	2.79	8,913,500
Génentech Inc	Biotechnology Industry	3	347,907,090	1.85	5,857,294
Li Cortez LLC	Real Estate	4	306,800,420	1.63	5,165,231
LinkedIn Corporation	Social Media	5	207,552,704	1.10	3,747,192
Stack Infrastructure	Datawarehouse	6	218,197,893	1.16	3,730,237
Beaver Ventures LLC	Real Estate	7	212,829,090	1.13	3,583,148
Verizon Communications Inc	Utilities	8	209,389,130	1.11	3,525,119
Nvidia Corporation	Technology	9	197,576,505	1.05	3,324,939
Workday Inc	Technology	10	177,014,275	0.94	2,980,177
SolarWorld Properties Inc	Technology				
Pacific Realty Associates	Real Estate				
Linde Gas North America LLC	Technology				
Triquint Semiconductor Inc	Technology				
Amberglen, LLC	Technology				
Streets of Tanasbourne LLC	Shopping				
			4,132,688,116	21.94	70,241,511
All other taxpayers			14,701,423,073	78.06	45,914,548
TOTAL			\$ 18,834,111,189	100.00 %	\$ 116,156,059

Source: Washington County Assessor, list sorted by Levied Taxes

Rank	2016		
	Assessed Valuation	Percentage of Total Assessed Valuation	Levied Taxes
1	\$ 2,025,019,560	17.68 %	\$ 32,956,607
5	105,296,180	0.92	1,717,410
2	165,225,810	1.44	2,689,446
3	148,998,000	1.30	2,424,667
4	144,353,800	1.26	2,351,063
6	99,895,419	0.87	1,652,611
7	74,253,110	0.65	1,208,507
8	72,237,140	0.63	1,181,166
9	63,817,160	0.56	1,037,571
10	58,614,635	0.51	1,018,497
	2,957,710,814	25.83	48,237,545
	8,494,190,670	74.17	14,232,105
	\$ 11,451,901,484	100.00 %	\$ 62,469,650

CITY OF HILLSBORO, OREGON

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Taxes Levied by Assessor	Collected and discounted within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount Collections	% of Current levy		Amount Collected	% of Levy
2016	\$ 62,469,650	\$ 59,699,693	95.57 %	\$ 2,769,957	\$ 62,469,650	100.00 %
2017	65,831,347	62,844,836	95.46	2,986,511	65,831,347	100.00
2018	69,620,710	66,474,396	95.48	3,146,314	69,620,710	100.00
2019	71,650,532	68,779,290	95.99	2,834,893	71,614,183	99.95
2020	76,819,690	73,699,858	95.94	3,101,024	76,800,882	99.98
2021	80,776,065	77,603,597	96.07	3,149,852	80,753,449	99.97
2022	86,358,698	85,598,980	99.12	694,547	86,293,527	99.92
2023	97,859,094	96,970,200	99.09	717,548	97,687,748	99.82
2024	108,543,338	107,484,615	99.02	720,393	108,205,008	99.69
2025	116,156,059	114,976,727	98.98	-	114,976,727	98.98

Source: Washington County Department of Assessment and Taxation.

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CITY OF HILLSBORO, OREGON

CONSOLIDATED TAX LEVIES

LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Total Taxes to be Received	General Fund	Hillsboro Economic Development Council	Adjustments and Miscellaneous Offsets
2016	\$ 62,469,650	\$ 61,405,794	\$ 941,302	\$ 122,554
2017	65,831,347	64,047,829	1,564,692	218,826
2018	69,620,710	66,820,069	2,017,594	783,047
2019	71,650,532	68,470,139	2,962,960	217,433
2020	76,819,690	71,616,944	4,560,561	642,185
2021	80,776,065	74,593,625	5,717,034	465,406
2022	86,358,698	78,920,256	7,261,302	177,140
2023	97,859,094	84,283,005	12,510,574	1,065,515
2024	108,543,338	89,892,784	17,882,499	768,055
2025	116,156,059	94,870,248	20,770,647	515,164

Source: Washington County Department of Assessment and Taxation.

Note: The Adjustments and Miscellaneous Offsets column is the result of taxes related to forest and farmland and reduction of taxes due to property tax limitation, County offsets, truncation, and other miscellaneous adjustments.

DEBT CAPACITY

CITY OF HILLSBORO, OREGON

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Governmental Activities			Business-Type Activities			Total	Percentage of Personal Income (2)	Per Capita
	Full Faith & Credit (1)	Notes Payable	Leases and SBITAs	Water Revenue Bonds	Notes Payable	Leases and SBITAs			
2016	\$ 44,198,130	\$ 6,035,480	\$ -	\$ 7,503,257	\$ -	\$ -	\$ 57,736,867	2.13 %	\$ 592
2017	57,144,809	2,738,124	-	6,648,213	13,431,000	-	79,962,146	2.93	805
2018	53,827,933	4,103,980	1,009,505	5,778,169	10,744,800	5,878,975	81,343,362	2.50	801
2019	50,416,057	2,787,358	817,476	4,883,125	8,058,600	5,901,456	72,864,072	2.29	715
2020	84,324,093	23,161,295	615,985	54,422,870	5,372,400	-	167,896,643	5.12	1,625
2021	80,597,221	45,816,000	404,664	63,395,075	2,686,200	-	192,899,160	5.79	1,843
2022	76,755,349	44,241,000	183,153	97,332,280	-	-	218,511,782	5.48	2,020
2023	84,513,477	42,201,000	1,801,588	206,244,485	-	-	334,760,550	7.17	3,056
2024	160,141,605	39,693,000	2,837,723	300,672,170	-	-	503,344,498	11.43	4,540
2025	153,179,733	37,004,000	2,137,184	300,594,419	-	-	492,915,336	10.90	4,440

(1) Represents bonds payable for the Civic Center and Public Safety Training facilities, two fire stations, new stadium turf, Library remodels, Ballpark Facility, Public Works Facility, and Local Improvement District and backed by the full faith and credit of the City.

(2) Personal income is derived from the total households in the City of Hillsboro multiplied by the median household income per the US Census Bureau. Income is reported as one year in arrears due to timing of available information.

CITY OF HILLSBORO, OREGON

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

JUNE 30, 2025

Jurisdiction	Net Direct Debt Outstanding	Percent Applicable to City of Hillsboro (1)	Amount Applicable to City of Hillsboro
Metropolitan Service District	\$ 904,080,000	7.07 %	\$ 63,881,389
Northwest Regional ESD	12,395,000	15.93	1,974,573
Portland Community College	569,075,000	9.03	51,402,838
Tualatin Hills Parks and Recreation District	32,063,520	0.01	2,341
Tualatin Valley Fire & Rescue District	42,025,000	-	42
Washington County	112,639,172	20.22	22,772,825
Washington County School District 1J (Hillsboro)	428,080,000	72.54	310,511,681
Washington County School District 48J (Beaverton)	<u>1,391,124,020</u>	<u>4.41</u>	<u>61,341,614</u>
 Total Overlapping Debt	 3,491,481,712		 511,887,303
 City of Hillsboro	 192,320,917	 100.00	 192,320,917
 Total Direct and Overlapping Debt	 <u>\$ 3,683,802,629</u>		 <u>\$ 704,208,220</u>

Source: Oregon Municipal Debt Advisory Commission.

Note:

(1) The percentage applicable to the City is determined on the assessed value of the overlapping districts. The numerator is the City's assessed value and the denominator is the assessed value of the overlapping district.

CITY OF HILLSBORO, OREGON

LEGAL DEBT MARGIN INFORMATION AND COMPUTATION

LAST TEN FISCAL YEARS

True market value (1)	\$ 60,982,119,720
General obligation debt limit (2)	x 3%
Gross bonded debt subject to limitation	<u>1,829,463,592</u>
Legal debt margin available for future indebtedness	<u>\$ 1,829,463,592</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>0%</u>
	Total net debt applicable to the limit as a percentage of debt limit
Fiscal Year	Debt Limit
2016	\$ 766,507,481
2017	868,434,285
2018	960,842,417
2019	868,976,752
2020	909,918,383
2021	1,118,542,884
2022	1,232,033,400
2023	1,478,122,176
2024	1,663,976,947
2025	1,829,463,592

Notes:

(1) From Washington County Department of Assessment and Taxation.

(2) ORS 257.004 provides a debt limit of 3% of the true market value of all taxable property within the City boundaries.

CITY OF HILLSBORO, OREGON

PLEDGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

Water Revenue Bonds

Fiscal Year Ended June 30,	Gross Operating Revenue (2)	Less Operating Expenses (3)	Net Available Revenue	System Development Charges (SDCs)	Debt Service	Coverage including SDCs	Coverage without SDCs
2016	\$ 31,475,034	\$ 15,495,888	\$ 15,979,146	\$ 8,049,701	\$ 977,782	16.34	8.11
2017	31,615,205	15,374,926	16,240,279	6,929,934	973,423	16.68	9.56
2018	31,002,171	15,699,857	15,302,314	2,579,850	987,550	15.50	12.88
2019	36,680,238	16,342,744	20,337,494	5,480,206	991,800	20.51	14.98
2020	40,369,001	18,638,469	21,730,532	8,056,630	2,438,736	8.91	5.61
2021	48,880,295	20,338,278	28,542,017	11,412,458	2,623,275	10.88	6.53
2022	49,569,056	19,574,171	29,994,885	9,485,214	2,630,900	11.40	7.80
2023	52,537,098	21,175,684	31,361,414	5,246,897	2,627,625	11.94	9.94
2024	61,381,624	24,540,505	36,841,119	9,711,755	2,638,375	13.96	10.28
2025	64,562,084	28,232,597	36,329,487	8,000,022	1,628,450	22.31	17.40

Notes:

(1) The City has water revenue bonds pledged with revenues generated within the Utilities Commission Fund of the City.

Debt covenants require a ratio of 1.25 times the annual debt service when including system development charges as shown above and 1.15 times the annual debt service without system development revenues.

(2) Gross operating revenues are defined in the Master Declaration as operating revenues less other revenues.

(3) Gross operating expenses are defined in the Master Declaration as operating expenses less depreciation.

DEMOGRAPHIC AND ECONOMIC INFORMATION

CITY OF HILLSBORO, OREGON

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Unemployment Rate (Portland) Metropolitan Area (3)					Washington County per Capita Income (4)
	Population (1)	Median Age (4)	School Enrollment (2)	Rate % (3)	Washington County per Capita Income (4)	
2016	97,480	34.6	20,206	5.0 %	34,691	
2017	99,340	36.1	20,034	4.1	35,786	
2018	101,540	34.0	20,204	3.8	37,361	
2019	101,920	34.0	20,046	3.4	40,152	
2020	103,350	34.4	20,010	9.9	41,814	
2021	104,670	33.9	19,114	4.9	41,015	
2022	108,154	34.8	18,961	2.9	46,580	
2023	109,532	35.9	18,744	3.3	51,260	
2024	110,874	35.6	18,558	3.6	52,765	
2025	111,006	37.0	18,215	4.5	49,722	

Sources:

- (1) Portland State University
- (2) Average daily membership for the Hillsboro School District
- (3) Beginning in 2021, information is from the State of Oregon Employment Department. Information for years before 2021 are from the Bureau of Labor Statistics.
- (4) US Census

CITY OF HILLSBORO, OREGON

PROPERTY VALUE AND NEW CONSTRUCTION

LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Commercial Construction (1)		Residential Construction (1)		Total Property Value (2)
	Number of New Permits	Value	Number of New Units	Value	
2016	9	\$ 25,500,175	624	\$ 110,306,394	\$ 25,550,249,374
2017	19	\$ 65,917,968	920	\$ 172,153,669	\$ 28,947,809,509
2018	14	\$ 89,665,808	208	\$ 50,132,549	\$ 32,028,080,563
2019	20	\$ 157,980,920	1,092	\$ 208,658,627	\$ 28,965,891,718
2020	39	\$ 216,034,159	776	\$ 180,187,708	\$ 30,330,612,779
2021	20	\$ 240,180,643	901	\$ 222,216,970	\$ 37,284,762,786
2022	19	\$ 742,045,463	977	\$ 213,197,331	\$ 41,067,779,992
2023	15	\$ 900,678,836	1,335	\$ 228,939,100	\$ 49,270,739,190
2024	18	\$ 241,504,398	737	\$ 218,861,598	\$ 55,465,898,243
2025	11	\$ 233,342,183	556	\$ 183,922,064	\$ 60,982,119,720

Sources:

- (1) City Building Department
- (2) Washington County Department of Assessment and Taxation

CITY OF HILLSBORO, OREGON

TEN LARGEST EMPLOYERS

CURRENT AND NINE YEARS AGO

<u>Employer</u>	<u>Product or services</u>	2025		Percentage of Total City Employment	
		<u>Employment</u>	<u>Employment</u>	<u>Employment</u>	<u>Employment</u>
Intel Corporation	Computer Electronics and Related Devices	17,200	*	22.54 %	30.03 %
Hillsboro School District	Education	2,556	3.35	2,570	4.41
Washington County	County Government	2,442	3.20	1,950	3.35
OHSU Hillsboro Center	Hospitals	1,370	1.80	1,400	2.40
City of Hillsboro	Local Government	1,329	1.74	734	1.26
Tokyo Electron America	Semiconductors and Related Devices	1,200	1.57		
ASML	Manufacturer	1,200	1.57		
Kaiser Permanente	Hospitals	1,064	1.39		
Thermo Fisher Scientific	Laboratory Analytical Instruments	1,062	1.39		
Amazon	Retail Delivery	1,062	1.39		
Nike	Administrative Offices			1,889	3.24
Well Fargo Bank	Bank			1,681	2.88
Qorvo	Semiconductors and Related Devices			1,085	1.86
Radisys	Software Company			710	1.22
IBM Corporation	Computer and Misc Electronic Manufacturing			545	0.94
		<u>30,485</u>	<u>39.95 %</u>	<u>30,064</u>	<u>51.59 %</u>
Total Employment Within the City Boundaries		<u>76,308</u>		<u>58,275</u>	

* Employment includes all Oregon locations including unincorporated Washington County.

OPERATING INFORMATION

Sources: City of Hillsboro - Business Licenses

CITY OF HILLSBORO, OREGON

FULL TIME EQUIVALENT GOVERNMENT BUDGETED EMPLOYEES BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Government										
City Manager's Office	16	19.5	21.5	30.5	31.5	27.5	28.5	30.5	29.5	29.5
Community Development	-	-	-	-	-	8	14	14	28	29 *
Municipal Court	3	3	3	3	3	3	3	3	3	3
Finance	22	23	26.5	27	28	28	29	30	30	31
Human Resources	9.5	8.5	13.5	14.5	14.5	15.5	15.5	16.5	18	19
Information Services	31	32	31	31	31	31	33	35	39	41
Facilities/Fleet Management	21	21	22	25	29	31	37	40	42	44
Risk Management	3.5	3.5	3.5	3.5	3.5	3.5	4.5	4.5	5	6
Police	183	185	190	192	194	198	198	200	201.5	203.5
Fire & Rescue	108	111	118	121	123	123	123	131	136	146
Parks & Recreation	92.75	93.75	95.75	93.75	96.75	104.75	101.75	102.75	105.75	106.88
Library	52	52	76.9	75.9	76.9	76.9	76	76.48	75.60	76.35 **
Water	72	75	78	77	82	84	85	94	106	115
Public Works	73	78	87	85	91	92	91	96	103	110
Broadband	-	-	-	5	12	12	12	12	12	12
Building	43	43	43	43	44	44	37	37	31	35
Planning and Transportation Systems	25	25	25	25	26	22	24	24	19	20
Economic Development	6	7	7	7	8	8	8	8	8	8
Total	<u>760.25</u>	<u>780.25</u>	<u>841.65</u>	<u>859.15</u>	<u>894.15</u>	<u>912.15</u>	<u>920.25</u>	<u>954.73</u>	<u>992.35</u>	<u>1,035.23</u>

* This function was newly organized during FY 2021, and relocated several positions from the City Manager's Office, the Building program, and Planning program. Further reorganization happened in FY 2024.

** Beginning in FY 2018, a full-time equivalent calculation is included for part-time regular Library personnel.

Source: City of Hillsboro Annual or Biennial (beginning with FY 2024) Budget

CITY OF HILLSBORO, OREGON

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function /Program	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Police										
Total Arrests	4,003	3,846	3,748	3,669	3,350	2,674	3,232	3,678	4,574	5,640
Parking Citations	7,288	7,368	8,122	5,574	4,197	2,764	3,580	6,504	6,342	6,090
Traffic Citations	5,255	3,684	3,209	4,429	4,240	2,560	2,354	2,558	4,234	4,903
Ordinance Citations	140	96	569	61	81	38	21	30	28	47
Fire and Rescue										
Fire Responses	382	304	318	380	358	393	319	375	370	327
EMS Responses	7,802	6,418	6,618	6,586	6,888	6,864	7,854	8,817	9,445	8,904
Inspections	2,012	1,574	1,851	981	1,650	1,557	489	1,138	908	569
Parks and Recreation										
Adults Served *	5,191	7,921	8,353	8,352	14,872	25,301	18,628	30,315	42,283	37,824
Youths Served *	7,241	7,069	7,226	9,463	8,191	2,421	7,290	11,258	17,039	16,685
Library										
Volumes in Collection	314,922	311,265	316,204	321,554	318,255	324,520	307,340	306,320	292,008	289,675
Digital Materials	N/A	155,062	248,373	493,874						
Library of Things Collection	N/A	739	734	897						
Total Circulation ***	2,752,213	2,485,264	2,514,469	2,497,991	1,902,228	1,063,547	2,317,123	2,395,094	2,510,495	2,623,415
Library Cardholders	62,973	63,472	62,959	54,050	76,147	92,349	99,016	106,306	88,126	78,695
Water, Sewer and Surface Water Management										
Number of Consumers - Residential **	22,873	23,168	23,317	23,690	24,112	24,732	25,292	25,598	25,981	26,426
Number of Consumers - Commercial **	927	935	942	947	955	960	963	1,320	1,327	1,341
Average Daily Consumption - Residential	5,612,416	5,317,194	5,644,347	5,715,816	5,282,842	5,853,982	5,572,452	5,821,420	5,746,660	5,850,000
Average Daily Consumption - Commercial	9,126,373	9,138,808	9,647,518	10,314,658	9,572,340	9,629,542	9,639,119	10,008,449	10,018,338	10,090,000
Building										
Permits Issued	1,494	1,291	1,379	1,309	1,424	1,744	1,513	1,378	1,443	1,403
Broadband										
Residential Internet Subscribers	N/A	N/A	N/A	N/A	N/A	73	220	664	1,208	1,716
Residential Voice Subscribers	N/A	N/A	N/A	N/A	N/A	8	33	36	49	76
Business Internet Subscribers	N/A	N/A	N/A	N/A	N/A	19	78	154	205	274
Business Voice Subscribers	N/A	N/A	N/A	N/A	N/A	10	35	68	90	107

Source: City of Hillsboro Departments

* Methodology changed in FY 2020 through utilizing a new membership and point of sale system. FY 2021 included many virtual programs and Lightopia that patrons participated in.

** Methodology changed in FY 2021 to more accurately reflect customers the City provides water to, as opposed to customers who receive water from other service providers. Historical years have been updated for consistency.

*** Autorenewals began in August 2021 and that increased the circulation numbers thereafter

CITY OF HILLSBORO, OREGON

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Police										
Stations	2	2	2	2	2	2	2	2	2	2
Community Relations Office	2	2	2	2	2	2	2	2	2	2
Fire and Rescue										
Stations	5	5	5	5	5	5	5	5	5	5
Parks & Recreation										
Activity and Community Centers	4	4	4	4	4	5	5	5	5	5
Cultural and Arts Center	1	1	1	1	1	1	1	1	1	1
Aquatic Center	1	1	1	1	1	1	1	1	1	1
Sports Facilities	2	2	2	2	2	2	2	2	2	2
Historical Homes	2	2	2	2	2	2	2	2	2	2
Number of Developed Parks*	27	27	28	29	29	28	28	29	30	30
Number of Undeveloped Parks	9	9	9	9	9	9	9	9	9	9
Natural Preserve	-	-	-	-	-	-	1	1	1	1
Total Developed Park Acreage	552.75	600.99	619.67	611.98	611.98	613.50	613.50	633.75	638.94	638.94
Total Undeveloped Park Acreage	205.93	161.61	170.93	170.93	170.93	148.11	148.11	148.11	141.81	141.81
Open Space Acreage	305.39	323.4	324.25	325.80	325.60	325.60	330.39	330.39	325.47	327.22
Total Greenways and Trails	101.11	102.15	102.15	102.15	104.62	110.05	110.25	111.10	111.10	136.71
Specialty Area Acreage **	-	-	-	-	-	-	13.88	13.88	13.88	13.88
Library										
Libraries	2	2	2	2	2	2	2	2	2	2
Transportation										
Miles of Streets	225.0	229.6	230.8	240.5	242.0	246.4	252.7	255.0	261.9	264.3
Number of Street Lights	7,214	7,283	7,283	7,398	7,707	8,014	8,371	8,566	8,739	8,859
Area in Sq. Miles	24.70	25.34	25.60	25.62	25.68	25.79	25.88	26.30	26.50	27.20
Water										
Miles of Water Mains	305.34	306.08	306.85	316.74	321.70	325.00	328.20	333.71	336.28	338.44
Sewers										
Miles of Sanitary Sewers	259.42	257.72	257.20	273.10	275.20	279.90	282.80	285.60	288.50	289.60
Miles of Storm Sewers	267.60	273.68	259.09	282.00	288.80	296.00	301.30	305.70	310.50	315.30
Broadband										
Serviceable Residential Address Passings	N/A	N/A	N/A	N/A	N/A	578	2,069	4,841	7,206	8,988
Serviceable Commercial Address Passings	N/A	N/A	N/A	N/A	N/A	685	1,223	1,418	1,501	1,749

Source: City Departments

* Some recategorization have occurred during the year and historically applied.

** Previously not reported.

Report of Independent Auditors 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*

Honorable Mayor and Board of Councilors
City of Hillsboro
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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hillsboro, Oregon (the City) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 9, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 or significant deficiencies may exist that were not identified.



Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

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

Baker Tilly US, LLP

Portland, Oregon
December 9, 2025

Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Honorable Mayor and Board of Councilors
City of Hillsboro
Hillsboro, Oregon

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the City of Hillsboro, Oregon's (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2025. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2025.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal program.

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matter

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2025-001. Our opinion on the major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Baker Tilly US, LLP

Portland, Oregon
December 9, 2025

CITY OF HILLSBORO, OREGON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2025

FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLE	FEDERAL ASSISTANCE LISTING NUMBER	PASSTHROUGH NUMBER	EXPENDITURES
U.S. DEPARTMENT OF AGRICULTURE			
PASSED THROUGH RIVER NETWORK			
Inflation Reduction Act Urban & Community Forestry Program	10.727	24-CA-11132544-017	\$ 73,251
TOTAL U.S. DEPARTMENT OF AGRICULTURE			
			<u>73,251</u>
U.S. DEPARTMENT OF COMMERCE:			
DIRECT:			
Economic Development Support for Planning Organizations	11.302		<u>120,076</u>
TOTAL U.S. DEPARTMENT OF COMMERCE			
			<u>120,076</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
DIRECT:			
Community Development Block Grant Cluster Entitlement/Special Purpose Grants:			
Community Development Block Grants/Entitlement Grants	14.218		401
Community Development Block Grants/Entitlement Grants	14.218		39,934
Community Development Block Grants/Entitlement Grants	14.218		56,837
Community Development Block Grants/Entitlement Grants	14.218		<u>550,730</u>
Total Community Development Block Grant Cluster Entitlement/Special Purpose Grants:			<u>647,902</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
			<u>647,902</u>
U.S. DEPARTMENT OF JUSTICE:			
PASSED THROUGH THE OREGON DEPARTMENT OF JUSTICE:			
Violence Against Women Formula Grant	16.588	VAWA-C-2023-00017	<u>65,167</u>
DIRECT:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738		33,854
Edward Byrne Memorial Justice Assistance Grant Program	16.738		32,564
Total Edward Byrne Memorial Justice Assistance Grant Program			<u>66,418</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			
			<u>131,585</u>
U.S. DEPARTMENT OF TRANSPORTATION:			
PASSED THROUGH METRO:			
Federal Transit Cluster			
Federal Transit Formula Grants	20.507	936219	<u>95,415</u>
Total Federal Transit Cluster:			<u>95,415</u>
PASSED THROUGH OREGON IMPACT:			
Highway Safety Cluster			
State and Community Highway Safety	20.600	F6SUNK8J1Q6	457
National Priority Safety Programs	20.616	F6SUNK8J1Q6	4,263
National Priority Safety Programs	20.616	F6SUNK8J1Q6	3,896
Total Highway Safety Cluster:			<u>8,616</u>
PASSED THROUGH OFFICE OF STATE FIRE MARSHALL:			
Interagency Hazardous Materials Public Sector			
Training and Planning Grants	20.703	693JK32240038HMEP	<u>4,489</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			
			<u>108,520</u>

See Notes to Schedule of Expenditures of Federal Awards

CITY OF HILLSBORO, OREGON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2025

FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLE	FEDERAL ASSISTANCE LISTING NUMBER	PASSTHROUGH NUMBER	EXPENDITURES
U.S. DEPARTMENT OF TREASURY			
PASSED THROUGH HIGHER EDUCATION COORDINATING COMMISSION:			
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	SLFRP4454	<u>59,064</u>
PASSED THROUGH WASHINGTON COUNTY:			
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	SLFRP0228	<u>17,500</u>
			<u>76,564</u>
TOTAL U.S. DEPARTMENT OF TREASURY			
			<u>76,564</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
DIRECT:			
Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements	66.818		<u>119,399</u>
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			
			<u>119,399</u>
U.S. DEPARTMENT OF ENERGY:			
DIRECT:			
Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128		<u>134,022</u>
TOTAL U.S. DEPARTMENT OF ENERGY			
			<u>134,022</u>
U.S. DEPARTMENT OF HOMELAND SECURITY:			
PASSED THROUGH OREGON DEPARTMENT OF EMERGENCY MANAGEMENT			
Hazard Mitigation Grant	97.039	HMGP-DR-4562-20-R-OR	<u>107,211</u>
Homeland Security Grant Program	97.067	EMW-2024-SS-05129	<u>62,870</u>
State and Local Cybersecurity Grant Program Tribal Cybersecurity Grant Program	97.137	EMW-2022-CY-00070-S01	<u>15,550</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			
			<u>185,631</u>
TOTAL FEDERAL AWARDS			
			<u>\$ 1,596,950</u>

See Notes to Schedule of Expenditures of Federal Awards

CITY OF HILLSBORO, OREGON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2025

Notes to Schedule of Expenditures of Federal Awards:

The schedule above is prepared on the modified accrual basis of accounting. Grant revenues are recorded when the City has met the qualifications for the respective grants. Expenditures are recorded when the liability is incurred. The City has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

The City provided subrecipient awards through the Community Development Block Grants/Entitlement Grants, Federal Assistance Listing Number (ALN) 14.218 in the amount of \$647,501, Coronavirus State and Local Fiscal Recovery Grant, Federal ALN 21.027 in the amount of \$59,064, and Coronavirus State and Local Fiscal Recovery Grant, Federal ALN 21.027 in the amount of \$17,500.

For the WIFIA Loan Program, Federal ALN 66.958, the following table reflects its activity during the fiscal year:

Beginning balance as of July 1, 2024	\$ 250,523,385
Draws received during the year	-
Total amount subject to reporting on the Schedule of Expenditures of Federal Awards	<u>250,523,385</u>
Repayments made during the year	-
Balance as of June 30, 2025	<u>\$ 250,523,385</u>

City of Hillsboro
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025

Section I – Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major federal programs and type of auditor's report issued on compliance for major federal programs:

<i>Federal Assistance Listing Number</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor's Report Issued on Compliance for Major Federal Programs</i>
14.218	Community Development Block Grants Cluster Entitlements/Special Purpose Grants	<i>Unmodified</i>

Dollar threshold used to distinguish between type A and type B programs: **\$ 750,000**

Auditee qualified as low-risk auditee? Yes No

Section II – Financial Statement Findings

None reported

City of Hillsboro
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025



Section III – Federal Award Findings and Questioned Costs

FINDING 2025-001 – Reporting – Control Deficiency in Internal Controls over Compliance and Instance of Noncompliance

Federal Assistance Listing Numbers	Federal Agency/Pass-through Entity - Program Name	Award Number	Award year	Questioned Costs
14.218	Community Development Block Grants Cluster Entitlements/Special Purpose Grants	N/A	2025	None Reported

Criteria or specific requirement: Prime grant recipients awarded a federal contract greater than or equal to \$30,000 are subject to Federal Funding Accountability and Transparency Act (FFATA) subaward reporting requirements. The prime awardee is required to file a FFATA subaward report by the end of the month following the month in which the prime contractor awards any subcontract greater than or equal to \$30,000.

Condition: During our testing, the City did not file a FFATA report for two of its subrecipients that were granted the sub-award during the prior year with expenditures incurred in the current year.

Context: Of the three subrecipients that received funding, two subrecipients did not have the FFATA report filed by the City.

Effect: The FFATA report was not filed within 30 days of the sub-award. The failure to have the FFATA reports submitted could result in the submission of inaccurate or incomplete information to federal agencies, potentially leading to non-compliance with federal requirements, mismanagement of funds, and jeopardizing future funding.

Cause: The City does not have an effective control in place to monitor reporting timelines and submission.

Repeat finding: No.

Recommendation: We recommend the City work to establish an internal tracking system to memorialize reporting deadlines and track the submission of required reports under the program.

Views of responsible officials: Management agrees with the auditor recommendation. During the first and second quarters of fiscal year 2024-25, the City underwent personnel changes in the Affordable Housing Division, specifically with the key role of CDBG Program Coordinator. The transition created temporary gaps in institutional knowledge and disrupted workflow continuity. This caused the City to miss submissions of Federal Funding Accountability and Transparency Act (FFATA) reports. Upon discovery that the FFATA reports had been delayed, the new CDBG Program Coordinator entered the agreements into the federal reporting system to bring reporting up to date. Future subrecipient agreements will be reported to SAM.gov in a timely manner, and checklists have been updated to ensure this step is included as part of the awarding process.

Report of Independent Auditors Required by Oregon State Regulations

Honorable Mayor and Members of the City Council
 City of Hillsboro
 Hillsboro, Oregon

We have audited, 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 the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Hillsboro, Oregon (the City) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated December 9, 2025.

Compliance

As part of obtaining reasonable assurance about whether the City's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules (OAR) 162-010-0000 to 162-010-0330, of the Minimum Standards for Audits of Oregon Municipal Corporations, 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.

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:

- Accounting records and internal control
- Public fund deposits
- Indebtedness
- Budget
- Insurance and fidelity bonds
- Programs funded from outside sources
- Highway funds
- Investments
- Public contracts and purchasing

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In connection with our testing, nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of ORS as specified in OAR 162-010-0000 through 162-010-0330 of the Minimum Standards for Audits of Oregon Municipal Corporations, with the exception of the following:

- The City had over-expenditures of \$30,122 in the General Fund and \$4,729 in the Intermodal Transit Facility Fund for the year ended June 30, 2025.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 or significant deficiencies may exist that have not been identified.

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 entity's internal control or on compliance. Accordingly, this communication is not suitable for any other purpose.

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



Keith Simovic, Principal,
for Baker Tilly US, LLP
Portland, Oregon
December 9, 2025

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Appendix C

Book Entry Only System

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**SAMPLE OFFERING DOCUMENT LANGUAGE
DESCRIBING BOOK-ENTRY-ONLY ISSUANCE**

(Prepared by DTC--bracketed material may apply only to certain issues)

- 1.** The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
- 2.** DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.
- 3.** Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
- 4.** To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.
- 5.** Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed

by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

[6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

Appendix D

Form of Continuing Disclosure Certificate

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CONTINUING DISCLOSURE CERTIFICATE

\$91,805,000
City of Hillsboro, Oregon
Full Faith and Credit Bonds, Series 2026

This Continuing Disclosure Certificate (the “Certificate”) is executed and delivered by the City of Hillsboro, Oregon (the “Issuer”) in connection with the issuance of the above-captioned bonds (the “Securities”).

Section 1. Purpose of Certificate. This Certificate is being executed by the Issuer, and constitutes the Issuer’s written undertaking for the benefit of the owners of the Securities and to assist the underwriter of the Securities in complying with paragraph (b)(5) of the United States Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. § 240.15c2-12) as amended (the “Rule”).

Section 2. Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for purposes of this Certificate, have the meanings herein specified.

“Beneficial Owner” means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Securities, including persons holding Securities through nominees or depositories.

“Commission” means the United States Securities and Exchange Commission.

“EMMA” means the Electronic Municipal Market Access system for municipal securities disclosure established by the MSRB and accessible at <http://emma.msrb.org/>.

“MSRB” means the United States Municipal Securities Rulemaking Board or any successor to its functions.

“Official Statement” means the final official statement for the Securities dated January 15, 2026.

“Rule” means the Commission’s Rule 15c2-12 under the Securities Exchange Act of 1934, as it has been and may be amended.

Section 3. Financial Information. The Issuer, as the “obligated person,” agrees to provide or cause to be provided to the MSRB, the following annual financial information and operating data:

A. The Issuer’s latest publicly available annual financial statements prepared in accordance with Oregon Local Budget Law (or any successor statute) and in accordance with generally accepted accounting principles so prescribed by the Governmental Accounting Standards Board (or its successors) and generally of the type included in the Official Statement in “Appendix B - Financial Statements.”

B. To the extent not included in its annual financial statements, the Issuer shall also provide information, of the type set forth in the Official Statement, containing:

(1) the total real market value and total assessed taxable value of property within the Issuer's boundaries (as indicated in the records of the county assessor), or other statement of property valuation that reflects then current Oregon statutes pertaining to property valuation; (2) the amount or rate of property taxes levied by the Issuer for the fiscal year, and the amount of property taxes the Issuer received during the fiscal year for both operations and debt service; (3) the total principal amount of general obligation bonds and other tax-supported obligations of the Issuer which are outstanding at the end of the fiscal year; and (4) the major taxpayers for Washington County as presented in the Official Statement.

Section 4. Timing. The information described in Section 3 of this Certificate shall be provided by the Issuer for each of its fiscal years in which the Securities are outstanding. The Issuer shall provide that information on or before nine months after the end of each fiscal year, commencing no later than March 31, 2027 for the fiscal year ended June 30, 2026. The information described in Section 3 of this Certificate will be provided in the form of audited financial statements if they are then available, and otherwise will be provided in the form of unaudited financial statements. If the information described in Section 3 of this Certificate is initially provided in the form of unaudited financial statements, the Issuer shall provide audited financial statements promptly after they become publicly available. The Issuer's current fiscal year ends June 30. The Issuer may adjust its fiscal year by providing written notice of the change of fiscal year to the MSRB. In lieu of providing such annual financial information and operating data, the Issuer may cross-reference to other documents provided to the MSRB.

Section 5. Material Events. The Issuer agrees to provide or cause to be provided to the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the Securities:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the Security;
7. Modifications to the rights of Security holders, if material;
8. Bond calls, if material, and tender offers;

9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the obligated person; (note: for the purposes of the event identified in this paragraph 12, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.);
13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a financial obligation of the obligated person if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material. For the purposes of this paragraph 15 and paragraph 16 below, “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii); the term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

The Issuer may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the Issuer, such other event is material with respect to the Securities, but the Issuer does not undertake any commitment to provide such notice of any event except those events listed above.

Section 6. Failure to File Annual Financial Information. The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB, notice of a failure by the Issuer to provide the annual financial information or operating data described in Section 3 of this Certificate on or prior to the time set forth in Section 4 of this Certificate.

Section 7. Termination. The Issuer's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Securities. This Certificate, or any provision of this Certificate, shall be null and void if the Issuer (a) obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this Certificate, or any provision of this Certificate, are invalid, have been repealed retroactively or otherwise do not apply to the Securities; and (b) notifies the MSRB of such opinion and the termination of its obligations under this Certificate.

Section 8. Amendment. Notwithstanding any other provision of this Certificate, the Issuer may amend this Certificate under the following conditions:

A. If the amendment relates to the provisions of Sections 3 or 5 of this Certificate, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Issuer, or type of business conducted;

B. If this Certificate, as amended, would have complied with the requirements of the Rule at the time of the original issuance of the Securities, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

C. The amendment does not materially impair the interest of the owners of the Securities as determined either by parties unaffiliated with the Issuer (such as nationally recognized bond counsel) or by approving vote of the owners of the Securities pursuant to the terms of the governing instrument for the Securities as it is in effect at the time of the amendment.

In the event of any amendment of a provision of this Certificate, the Issuer shall describe such amendment in its next annual filing pursuant to Section 3 of this Certificate, and shall include, as applicable, a narrative explanation of the reason for the amendment and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of the amendment shall be given in the same manner as for a material event under Section 5 of this Certificate, and (ii) the annual filing pursuant to Section 3 of this Certificate for the first fiscal year that is affected by the change in accounting principles should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Securities Owner's Remedies Under This Certificate. Owners of the Securities may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its

obligations under this Certificate. A default under this Certificate shall not be deemed a default or an event of default under the documents authorizing issuance of the Securities, and no monetary damages shall arise or be payable hereunder, and the sole remedy under this Certificate in the event of any failure of the Issuer to comply with this Certificate shall be an action to compel performance.

Section 10. Form of Information. All information required to be provided under this Certificate will be provided in an electronic format as prescribed by the MSRB.

Section 11. Submitting Information Through EMMA. So long as the MSRB continues to approve the use of EMMA, any information required to be provided to the MSRB under this Certificate may be provided through EMMA. As of the date of this Certificate, the web portal for EMMA is emma.msrb.org.

Section 12. Dissemination Agent. The Issuer may, from time to time, engage or appoint an agent to assist the Issuer in disseminating information hereunder (the “Dissemination Agent”). The Issuer may discharge any Dissemination Agent with or without appointing a successor Dissemination Agent.

Section 13. Choice of Law. This Certificate shall be governed by and construed in accordance with the laws of the State of Oregon, provided that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

Dated as of January 29, 2026.

City of Hillsboro, Oregon

City Official

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Appendix E

Form of Declaration

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BOND DECLARATION

City of Hillsboro, Oregon

**\$91,805,000
Full Faith and Credit Bonds, Series 2026**

**Executed on behalf of the City of Hillsboro, Oregon
as of January 29, 2026**

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Exhibit A Bond Form

This table of contents is not a part of the bond declaration but is provided for reference only.

BOND DECLARATION

THIS BOND DECLARATION is executed as of January 29, 2026, on behalf of the City of Hillsboro, Oregon (the “City”) by an authorized “City Official” pursuant to the Ordinance, as defined in Section 1 below. The Ordinance authorizes the City Official to execute a bond declaration which contains the terms of the Bonds, and the covenants of the City relating to those Bonds.

Section 1. Definitions.

Unless the context clearly requires otherwise, the following terms shall have the following meanings:

“BEO” means “book-entry-only” and refers to a system for clearance and settlement of securities transactions through electronic book-entry changes, which eliminates the need for physical movement of securities.

“Bond Declaration” means this Bond Declaration, including any amendments made in accordance with Section 8 of this Bond Declaration.

“Bonds” means the City’s Full Faith and Credit Bonds, Series 2026 that are described in Section 2 of this Bond Declaration and that are authorized by the Ordinance.

“Business Day” means any day except a Saturday, a Sunday, a legal holiday, a day on which the Paying Agent or offices of banks in Oregon or New York are authorized or required by law or executive order to remain closed, or a day on which the New York Stock Exchange is closed.

“City Official” means the City Manager, the Deputy City Manager, the Assistant City Manager, the Chief Financial Officer, or another person designated by any of those individuals to act on behalf of the City pursuant to the Ordinance.

“Code” means the Internal Revenue Code of 1986, as amended.

“DTC” means The Depository Trust Company, New York, New York (“DTC”), acting as securities depository for the Bonds.

“Event of Default” refers to an Event of Default listed in Section 9(1) of this Bond Declaration.

“Government Obligations” means direct noncallable obligations of the United States of America, or noncallable obligations the principal of and interest on which are fully and unconditionally guaranteed by the United States of America.

“Official Statement” means the Official Statement for the Bonds dated as of January 15, 2026.

“Ordinance” means City Ordinance No. 6472 enacted June 4, 2025, as amended by Ordinance No. 6503 enacted on July 1, 2025, which authorizes the execution of this Bond Declaration and the issuance and sale of the Bonds.

“Outstanding” refers to all Bonds authorized and delivered pursuant to this Bond Declaration except Bonds which have been defeased pursuant to Section 10 of this Bond Declaration, paid, or canceled, and Bonds which have matured but have not been presented for payment for the payment of which adequate money has been transferred to the Paying Agent.

“Owner” means the person(s) shown on the Bond register maintained by the Paying Agent as the registered owner of a Bond.

“Paying Agent” means the registrar and paying agent for the Bonds, which, at the time of execution of this Bond Declaration, is U.S. Bank Trust Company, National Association.

“Projects” means the Recreation Projects, Police Station Projects, and Fire Station Projects defined in the Ordinance.

“Record Date” means the close of business on the 15th day of the month immediately preceding the applicable payment date, whether or not such day is a Business Day.

Section 2. Bonds Authorized.

(1) Pursuant to the provisions of ORS Sections 287A.150, 287A.315, the other applicable provisions of ORS Chapter 287A, and the Ordinance, the City hereby authorizes the issuance, sale and delivery of the Bonds in accordance with this Bond Declaration and in a principal amount of \$91,805,000. The Bonds shall be dated January 29, 2026, shall bear interest which is payable on June 1 and December 1 of each year commencing December 1, 2026, computed on the basis of a 360-day year consisting of twelve 30-day months, and shall mature as follows:

Due June 1	Principal Amount (\$)	Interest Rate (%)	CUSIP No. (Base 432092)
2027	1,485,000	5.000	TQ7
2028	2,990,000	5.000	TR5
2029	3,140,000	5.000	TS3
2030	3,295,000	5.000	TT1
2031	3,460,000	5.000	TU8
2032	3,635,000	5.000	TV6
2033	3,815,000	5.000	TW4
2034	4,005,000	5.000	TX2
2035	4,205,000	5.000	TY0
2036	4,415,000	5.000	TZ7
2037	4,635,000	5.000	UA0
2038	4,870,000	5.000	UB8
2039	5,110,000	5.000	UC6
2040	5,365,000	5.000	UD4
2041	5,635,000	4.000	UE2
2042	5,860,000	4.000	UF9
2043	6,095,000	4.000	UG7
2044	6,340,000	4.000	UH5

2045	6,595,000	4.000	UJ1
2046	6,855,000	4.000	UK8

- (2) Bond proceeds shall be used to finance the Projects and to pay the cost of issuance of the Bonds.

Section 3. Security for Bonds.

- (1) The Bonds are unconditional obligations of the City, which are payable from all lawfully available funds of the City. Pursuant to ORS 287A.315, the City hereby pledges its full faith and credit and taxing power within the limitations of Sections 11 and 11b of Article XI of the Oregon Constitution to pay the Bonds.
- (2) This Bond Declaration shall constitute a contract with the Owners and shall be enforceable by the Owners.

Section 4. Tax Covenants for Bonds.

The City covenants for the benefit of the Owners to comply with all provisions of the Code that are required for interest on the Bonds to be excluded from gross income for federal income tax purposes. The City also covenants for the benefit of the Owners that it will comply with all of the covenants and agreements that the City makes in the “Tax Certificate” prepared in connection with the closing of the Bonds.

Section 5. Book Entry System

The Bonds shall be initially issued in BEO form and shall be governed by this Section 5. While Bonds are in BEO form no physical Bonds shall be provided to the Owners. A representative of the City has executed and delivered a Blanket Issuer Letter of Representations to DTC (the “Letter of Representations”). While the Bonds are in BEO form, registration and transfer of beneficial interests in the Bonds shall be governed by the Letter of Representations and the Operational Arrangements of DTC, as they may be amended from time to time. So long as Bonds are in BEO form:

- (1) DTC shall be treated as the Owner for all purposes, including payment and the giving of notices to Owners of Bonds. Bond payments shall be made, and notices shall be given, to DTC in accordance with the Letter of Representations. Any failure of DTC to advise any of its participants, or of any participant to notify the beneficial owner, of any such notice and its content or effect will not affect the validity of the redemption of Bonds or of any other action premised on such notice.
- (2) The City may discontinue maintaining the Bonds in the BEO form at any time. The City shall discontinue maintaining the Bonds in BEO form if DTC determines not to continue to act as securities depository for the Bonds, or fails to perform satisfactorily as depository, and a satisfactory substitute depository cannot reasonably be found.

- (3) If the City discontinues maintaining the Bonds in BEO form, the City shall provide an alternative system for registering and paying Bonds as provided in Section 7(4) of this Bond Declaration.
- (4) The City and the Paying Agent shall have no responsibility or obligation to any participant or correspondent of DTC or to any beneficial owner on behalf of which such participants or correspondents act as agent for the beneficial owner with respect to:
 - (A) the accuracy of the records of DTC, the nominee or any participant or correspondent with respect to any beneficial owner's interest in the Bonds;
 - (B) the delivery to any participant or correspondent or any other person of any notice with respect to the Bonds, including any notice of prepayment;
 - (C) the selection by DTC of the beneficial interest in Bonds to be redeemed prior to maturity; or
 - (D) the payment to any participant, correspondent, or any other person other than the registered owner of the Bonds as shown in the registration books maintained by the Paying Agent, of any amount with respect to principal, any premium or interest on the Bonds.
- (5) The provisions of this Section 5 may be modified without the consent of the beneficial owners in order to conform this Section to the standard practices of DTC or any successor depository for bonds issued in BEO form.

Section 6. Redemption of Bonds.

- (1) Optional Redemption. The Bonds shall be subject to optional redemption as described in the Official Statement.
- (2) For as long as the Bonds are in book-entry only form, if fewer than all of the Bonds of a maturity are called for redemption, the selection of Bonds within a maturity to be redeemed shall be made by DTC in accordance with its operational procedures then in effect. If the Bonds are no longer held in book-entry only form, then the Paying Agent will select Bonds for redemption by lot within a maturity.
- (3) The City reserves the right to purchase Bonds in the open market.
- (4) Any notice of optional redemption given for the Bonds pursuant to this Section 6 may state that the optional redemption is conditional upon receipt by the Paying Agent of moneys sufficient to pay the redemption price of such Bonds or upon the satisfaction of any other condition, and/or that such notice may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such redemption price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission or of the failure of any such condition shall be given by the Paying Agent to affected owners of the Bonds as promptly as practicable.

- (5) So long as Bonds are in BEO form, and unless DTC consents to a shorter period, the Paying Agent shall notify DTC of any early redemption not less than 20 calendar days nor more than 60 calendar days prior to the date fixed for redemption, and shall provide such information in connection therewith as required by the Letter of Representations. Unless waived by the Paying Agent, the City shall provide written notice of the intended redemption to the Paying Agent not less than 5 Business Days before the notice is required to be given to DTC.
- (6) During any period in which the Bonds are not in BEO form, unless waived by any Owner of the Bonds to be redeemed, official notice of any redemption of Bonds shall be given by the Paying Agent on behalf of the City as provided in the alternative system established by the City pursuant to Section 7(4) of this Bond Declaration. Unless waived by the Paying Agent, the City shall provide written notice of the intended redemption to the Paying Agent not less than 5 Business Days before the notice is required to be given.

Section 7. Authentication, Registration and Transfer.

- (1) No Bond shall be entitled to any right or benefit under this Bond Declaration unless it shall have been authenticated by an authorized officer of the Paying Agent. The Paying Agent shall authenticate all Bonds to be delivered at closing of the Bonds, and shall additionally authenticate all Bonds properly surrendered for exchange or transfer pursuant to this Bond Declaration.
- (2) The ownership of all Bonds shall be entered in the Bond register maintained by the Paying Agent, and the City and the Paying Agent may treat the person listed as owner in the Bond register as the owner of the Bond for all purposes.
- (3) While the Bonds are in BEO form, the Paying Agent shall transfer Bond principal and interest payments in the manner required by DTC.
- (4) If the Bonds cease to be in BEO form, the City shall amend this Bond Declaration to provide for an alternative system of registration and payment for the Bonds that is of general acceptance in the municipal bond market. If no better system is then available, the City shall amend this Bond Declaration to provide that printed, registered Bonds shall be issued to beneficial owners of the Bonds, and shall give notice of those amendments to all Owners.
- (5) Bonds may be exchanged for an equal principal amount of Bonds of the same maturity which are in different denominations, and Bonds may be transferred to other Owners if the Owner submits the following to the Paying Agent:
 - (A) written instructions for exchange or transfer satisfactory to the Paying Agent, signed by the Owner or attorney in fact and guaranteed or witnessed in a manner satisfactory to the Paying Agent; and
 - (B) the Bonds to be exchanged or transferred.

- (6) The Paying Agent shall not be required to exchange or transfer any Bonds submitted to it during any period beginning with a Record Date and ending on the next following payment date; however, such Bonds shall be exchanged or transferred promptly following that payment date.
- (7) The Paying Agent shall note the date of authentication on each Bond. The date of authentication shall be the date on which the Owner's name is listed on the Bond register.
- (8) For purposes of this Section 7, Bonds shall be considered submitted to the Paying Agent on the date the Paying Agent actually receives the materials described in Section 7(5) hereof.
- (9) The City may alter these provisions regarding registration and transfer by mailing notification of the altered provisions to all Owners. The altered provisions shall take effect on the date stated in the notice, which shall not be earlier than 45 calendar days after notice is mailed.

Section 8. Amendment of Bond Declaration.

- (1) The City may amend this Bond Declaration without the consent of any Owner for any one or more of the following purposes:
 - (A) To cure any ambiguity or formal defect or omission in this Bond Declaration;
 - (B) To add to the covenants and agreements of the City in this Bond Declaration other covenants and agreements to be observed by the City which are not contrary to or inconsistent with this Bond Declaration as theretofore in effect;
 - (C) To confirm, as further assurance, any security interest or pledge created under this Bond Declaration or any Supplemental Declaration;
 - (D) To provide for the alternative system of registration and payment for the Bonds pursuant to Section 7(4) of this Bond Declaration;
 - (E) To make any change which, in the reasonable judgment of the City, does not materially and adversely affect the rights of the Owners.
- (2) This Bond Declaration may be amended for any other purpose only upon consent of Owners representing not less than fifty-one percent (51%) in aggregate principal amount of the adversely affected Bonds then Outstanding. However, no amendment shall be valid which:
 - (A) Extends the maturity of any Bonds, reduces the rate of interest upon any Bonds, extends the time of payment of interest on any Bonds, reduces the amount of principal payable on any Bonds, or reduces any premium payable on any Bonds, without the consent of the affected Owner; or

- (B) Reduces the percent of Owners required to approve amendments to this Bond Declaration.

Section 9. Default and Remedies.

- (1) The occurrence of one or more of the following shall constitute an Event of Default under this Bond Declaration:
- (A) Failure by the City to pay Bond principal, interest or premium when due (whether at maturity, or upon redemption after a Bond has been properly called for redemption); or
 - (B) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed for the benefit of Owners of Bonds, for a period of 60 calendar days after written notice to the City by the Owners of fifty-one percent (51%) or more of the principal amount of Bonds then Outstanding specifying such failure and requesting that it be remedied; provided however, that if the failure stated in the notice cannot be corrected within such 60 day period, it shall not constitute an Event of Default so long as corrective action is instituted by the City within the 60 day period and diligently pursued, and the default is corrected as promptly as practicable after the written notice referred to in this Section 9(1)(B); or
 - (C) The City is adjudged insolvent by a court of competent jurisdiction, admits in writing its inability to pay its debts generally as they become due, files a petition in bankruptcy, or consents to the appointment of a receiver for the payments.
- (2) The Owners of fifty-one percent (51%) or more of the principal amount of Bonds then Outstanding may waive any Event of Default and its consequences, except an Event of Default described in Section 9(1)(A) of this Bond Declaration.
- (3) Upon the occurrence and continuance of any Event of Default hereunder the Owners of fifty-one percent (51%) or more of the principal amount of Bonds then Outstanding may take whatever action may appear necessary or desirable to enforce or to protect any of the rights of the Owners of Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Bond Declaration or in aid of the exercise of any power granted in this Bond Declaration or for the enforcement of any other legal or equitable right vested in the Owners of Bonds by this Bond Declaration or by law. However, the Bonds shall not be subject to acceleration.
- (4) No remedy in this Bond Declaration conferred upon or reserved to Owners of Bonds is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Bond Declaration or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. To entitle the Owners of Bonds to exercise any remedy reserved to them, it shall not be necessary to

give any notice other than such notice as may be required by this Bond Declaration or by law.

Section 10. Defeasance.

The City shall be obligated to pay Bonds which are defeased pursuant to this Section 10 solely from the money and Government Obligations deposited with an independent trustee or escrow agent, and the City shall have no further obligation to pay the defeased Bonds from any source except the amounts deposited in the escrow. Bonds shall be deemed defeased if the City:

- (1) irrevocably deposits money or noncallable Government Obligations in escrow with an independent trustee or escrow agent which are calculated to be sufficient without reinvestment for the payment of Bonds which are to be defeased;
- (2) files with the escrow agent or trustee a report from an independent, certified public accountant or registered municipal advisor to the effect that the money and the principal and interest to be received from the Government Obligations are calculated to be sufficient, without further reinvestment, to pay the defeased Bonds when due; and
- (3) files with the escrow agent or trustee an opinion of nationally recognized bond counsel that the proposed defeasance will not, in and of itself, cause interest on the Bonds to be includable in gross income under the Code.

Section 11. Form of Bonds.

The Bonds shall be issued in substantially the form attached to this Bond Declaration as Exhibit A, with any changes that are approved by a City Official. The Bonds shall be executed on behalf of the City with the manual or facsimile signature of a City Official.

Section 12. Rules of Construction.

In determining the meaning of provisions of this Bond Declaration, the following rules shall apply unless the context clearly requires application of a different meaning:

- (1) References to section numbers shall be construed as references to sections of this Bond Declaration unless otherwise indicated.
- (2) References to one gender shall include all genders.
- (3) References to the singular shall include the plural, and references to the plural shall include the singular.

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Dated as of the 29th day of January, 2026.

City of Hillsboro, Oregon

By: _____
City Official

Exhibit A

Form of Bond

No. R-«BondNumber»

§«PrincipalAmtNumber»

United States of America

State of Oregon

County of Washington

City of Hillsboro

and Credit Bond,

Full Faith and Credit Bond, Series 2026

Dated Date: January 29, 2026

Interest Rate Per Annum: «CouponRate»%

Maturity Date: June 1, «MaturityYear»

CUSIP Number: 432092«CUSIPNumbr»

Registered Owner: -----Cede & Co.-----

Principal Amount: -----«PrincipalAmtSpelled» Dollars-----

The City of Hillsboro, Oregon (the "City"), a municipal corporation of the State of Oregon, for value received, acknowledges itself indebted and hereby promises to pay to the Registered Owner hereof, or registered assigns, the Principal Amount indicated above on the Maturity Date indicated above together with interest thereon from the date hereof at the Interest Rate Per Annum indicated above, computed on the basis of a 360-day year of twelve 30-day months. Interest is payable semiannually on June 1 and December 1 in each year until maturity or prior redemption, commencing December 1, 2026. Payment of each installment of principal or interest shall be made to the Registered Owner hereof whose name appears on the registration books of the City maintained by the City's paying agent and registrar, which is currently U.S. Bank Trust Company, National Association (the "Paying Agent") as of the close of business on the fifteenth day of the month immediately preceding the applicable interest payment date. For so long as this Bond is subject to a book-entry-only system, principal and interest payments shall be payable in same-day funds on each payment date to the nominee of the securities depository for the Bonds. On the date of issuance of this Bond, the securities depository for the Bonds is The Depository Trust Company, New York, New York ("DTC"), and Cede & Co. is the nominee of DTC. Such payments shall be made payable to the order of "Cede & Co."

This Bond is one of a duly authorized series of bonds of the City aggregating \$91,805,000 in principal amount and designated as Full Faith and Credit Bonds, Series 2026 (the "Bonds"). The Bonds are issued pursuant to City Ordinance No. 6472 enacted June 4, 2025, as amended by City Ordinance No. 6503 enacted July 1, 2025, and a Bond Declaration dated as of January 29, 2026 (the "Bond Declaration"), and under the authority of and in full compliance with the Constitution and Statutes of the State of Oregon and the Charter of the City.

This Bond is an unconditional obligation of the City, which is payable from all lawfully available funds of the City. Pursuant to ORS 287A.315 the City hereby pledges its full faith and credit and taxing power within the limitations of Sections 11 and 11b of Article XI of the Oregon Constitution to pay amounts due under this Bond. The Bonds do not constitute a debt or indebtedness of Washington County, the State of Oregon, or any political subdivision thereof other than the City.

The Bonds are initially issued as a book-entry-only security issue with no certificates provided to the beneficial owners. Records of ownership of beneficial interests in the Bonds will be maintained by DTC and its participants. Should the book-entry-only security system be discontinued, the City shall cause the Paying Agent to authenticate and deliver replacement Bonds in fully registered form in authorized denominations in the names of the beneficial owners or their nominees, as provided in the Bond Declaration.

The Bonds shall mature and be subject to redemption as described in the Bond Declaration and the Official Statement for the Bonds.

Unless the book-entry-only system is discontinued, notice of any call for redemption shall be given as required by the Blanket Issuer Letter of Representations to DTC, as referenced in the Bond Declaration. Unless

conditional notice was given, interest on any Bond or Bonds so called for redemption shall cease on the redemption date designated in the notice. If the book-entry-only system is discontinued, notice of redemption shall be given as provided in the alternative system established by the City pursuant to the Bond Declaration; however, any failure to give notice shall not invalidate the redemption of the Bonds. The Bond Declaration authorizes the City to give conditional notices of redemption.

Any exchange or transfer of this Bond must be registered, as provided in the Bond Declaration, upon the Bond register kept for that purpose by the Paying Agent. The exchange or transfer of this Bond may be registered only by surrendering it, together with a written instrument of exchange or transfer which is satisfactory to the Paying Agent and which is executed by the registered owner or duly authorized attorney. Upon registration, a new registered Bond, of the same series and maturity and in the same aggregate principal amount, shall be issued to the transferee as provided in the Bond Declaration. The City and the Paying Agent may treat the person in whose name this Bond is registered on the Bond register as its absolute owner for all purposes, as provided in the Bond Declaration.

Unless this Bond is presented by an authorized representative of DTC to the City or the Paying Agent for registration of transfer, exchange or payment, and any Bond issued is registered in the name of Cede & Co. or such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entry as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

This Bond shall remain in the Paying Agent's custody subject to the provisions of the FAST Balance Certificate Agreement currently in effect between the Paying Agent and DTC.

It is hereby certified, recited and declared that all acts, conditions and things required by the Constitution and Statutes of the State of Oregon to exist, to have happened and to have been performed precedent to and in the issuance of this Bond to exist, have happened and have been performed in due time, form and manner as prescribed by law, and that the amount of this Bond, together with all other obligations or indebtedness of the City, does not exceed any constitutional or statutory limitations of indebtedness.

IN WITNESS WHEREOF, the City of Hillsboro, Oregon, by its City Council, has caused this Bond to be signed in its name with the facsimile signature of an authorized City Official, all as of the date indicated above.

City of Hillsboro, Oregon

City Official

THIS BOND SHALL NOT BE VALID UNLESS PROPERLY AUTHENTICATED BY THE PAYING AGENT IN THE SPACE INDICATED BELOW.

CERTIFICATE OF AUTHENTICATION

This Bond is one of the \$91,805,000 aggregate principal amount of City of Hillsboro, Oregon, Full Faith and Credit Bonds, Series 2026, and is authorized to be issued under the terms of the Bond Declaration described herein.

Date of authentication: January 29, 2026.

U.S. Bank Trust Company, National Association, as Paying Agent

Authorized Officer

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____

(Please insert social security or other identifying number of assignee)

this Bond and does hereby irrevocably constitute and appoint _____ as attorney to transfer this Bond on the books kept for registration thereof with the full power of substitution in the premises.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of this Bond in every particular, without alteration or enlargement or any change whatever.

NOTICE: Signature(s) must be guaranteed by a member of the New York Stock Exchange or a commercial bank or trust company

Signature Guaranteed
(Bank, Trust Company or Brokerage Firm)

Authorized Officer

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM -- tenants in common

TEN ENT -- as tenants by the entireties

JT TEN -- as joint tenants with right of survivorship
and not as tenants in common

OREGON CUSTODIANS use the following

_____ CUST UL OREG _____ MIN
as custodian for _____ (name of minor)

OR UNIF TRANS MIN ACT
under the Oregon Uniform Transfer to Minors Act

Additional abbreviations may also be used though not in the list above.