



Hillsboro Economic Development Council

City of Hillsboro, Oregon



For the Year Ended June 30, 2023

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

Basic Financial Statements
and Supplemental Information

Year Ended June 30, 2023

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

BOARD OF COUNCILORS

JUNE 30, 2023

		<u>Term Expires</u>
Steve Callaway, Chairperson		January 2025
Councilors:		
Anthony Martin, Council President	Ward 2, Position B	January 2025
Beach Pace	Ward 1, Position A	January 2027
Rick Van Beveren	Ward 1, Position B	January 2025
Kipperlyn Sinclair	Ward 2, Position A	January 2027
Olivia Alcaire	Ward 3, Position A	January 2027
Gina Roletto	Ward 3, Position B	January 2025

Council Address

City of Hillsboro
150 East Main Street
Hillsboro, Oregon 97123

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

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REPORT OF INDEPENDENT AUDITORS

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Report of Independent Auditors

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the Hillsboro Economic Development Council (the “Council”), a component unit of the City of Hillsboro, Oregon, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Council’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 and each major fund of the Council as of June 30, 2023, and the respective changes in financial position 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 Council 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.

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 Council'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.

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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The budgetary 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 data 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 Board of Councilors 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 1, 2023 on our consideration of the Council 's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council 's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council 's internal control over financial reporting and compliance.

Other Reporting Required by 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 1, 2023, on our consideration of the Council'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 Moss Adams LLP
Portland, Oregon
December 1, 2023

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2023

As management of the Hillsboro Economic Development Council (the Council), a component unit of the City of Hillsboro (the City), Oregon, we offer readers of the financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2023. The analysis focuses on significant financial issues, major financial activities, and resulting changes in financial position, budget changes and variances from the budget and specific issues related to funds and the economic factors affecting the Council, an urban renewal district.

Financial Highlights

- The Council's assets totaled approximately \$81.7 million at June 30, 2023 and consisted of approximately \$13.1 million in deposits and investments held by the City of Hillsboro and Washington County, approximately \$59.9 million in land held for resale, approximately \$7.9 million in non-depreciated and depreciated capital assets, approximately \$638,000 in notes receivables and approximately \$192,000 in other receivables.
- Net position (assets minus liabilities) was approximately \$39.3 million at June 30, 2023.
- As of June 30, 2023, the Council had approximately \$42.2 million in outstanding notes payable.
- The Council's net position increased by approximately \$10.1 million from June 30, 2022, as a result of property tax revenue of approximately \$12.1 million, approximately \$1.6 million in charges for services, operating and capital grants and contributions of approximately \$33,000, and earnings on investments of approximately \$265,000, offset by community development expenses of approximately \$2.6 million and approximately \$1.4 million in interest on long term debt.

Report Layout

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2023

Report Layout (Continued)

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

Statement of Position

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

	2023	2022
Deposits and investments held by the City of Hillsboro and county treasurer	\$ 13,069,265	\$ 6,845,114
Other current assets	192,296	104,155
Land held for resale	59,897,641	58,772,446
Notes receivable	638,183	698,605
Capital assets, net	7,899,084	7,776,233
Total assets	81,696,469	74,196,553
Current liabilities	165,483	744,649
Notes payable	42,201,000	44,241,000
Total liabilities	42,366,483	44,985,649
Net Position		
Net investment in capital assets	6,724,556	6,243,134
Restricted for capital projects	26,236,064	18,517,616
Restricted for debt service	6,369,366	4,450,154
Total net position	\$ 39,329,986	\$ 29,210,904

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2023

Statement of Activities

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

	<u>2023</u>	<u>2022</u>
Revenues and contributions:		
Program revenues:		
Fees, fines and charges for services	\$ 1,640,257	\$ 2,465,134
Operating grants and contributions	33,215	800,426
Capital grants and contributions	-	5,717,552
General revenues:		
Property taxes	12,112,005	7,057,379
Earnings on investments	<u>264,565</u>	<u>131,067</u>
Total revenues	<u>14,050,042</u>	<u>16,171,558</u>
Expenses:		
Community development	2,550,951	1,840,868
Interest on long term debt	<u>1,380,009</u>	<u>1,427,655</u>
Total expenses	<u>3,930,960</u>	<u>3,268,523</u>
Change in net position	10,119,082	12,903,035
Net position, beginning of year	<u>29,210,904</u>	<u>16,307,869</u>
Net position, end of year	<u><u>\$ 39,329,986</u></u>	<u><u>\$ 29,210,904</u></u>

The cost of the Council's activities totaled approximately \$3.9 million for the year. Property taxes and operating revenues covered all expenses. Excess revenues have increased ending net position.

Capital Assets

The Council had invested approximately \$123,000 in additional amounts to capital assets, net of depreciation, at June 30, 2023, as reflected in the following table.

	<u>2023</u>	<u>2022</u>
Land	\$ 538,234	\$ 538,234
Construction in progress	-	7,237,999
Infrastructure	7,588,506	-
Accumulated depreciation	<u>(227,656)</u>	<u>-</u>
Total capital assets, net	<u><u>\$ 7,899,084</u></u>	<u><u>\$ 7,776,233</u></u>

The City completed work on the NE 30th and Huffman street road project. Additional information on the Commission's capital assets may be found in Notes 1 and 3 in the Notes to Basic Financial Statements.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2023

Budgetary Highlights

There were no supplemental budgets authorized during the year. All expenditure categories were spent within the adopted budget.

Note Receivable

The Council issued a \$775,000 loan in July of 2015, to a local business for the establishment of a professional theatre in the urban renewal district. The note bears an annual interest rate of 1% commencing September 15, 2015, compounded monthly. The interest increases to 7% in the event of default. Principal and interest payment commenced September 15, 2017, monthly for a period of 20 years. The outstanding principal as of June 30, 2023, is \$638,183. Options of forgivable principal are included in the note for timely payment, using amounts attributed towards interest. \$36,772 in outstanding principal was forgiven during the year for meeting the conditions of this incentive.

Debt Administration

As of year-end June 30, 2023, the Council had approximately \$42.2 million in notes payable compared to approximately \$44.2 million outstanding in fiscal year 2022. Approximately \$2.5 million of the Council's debt at June 30, 2023, is due within one year. The Council entered into a loan agreement in November 2019 for \$23 million to fund land acquisition, transportation, utility, and trail infrastructure, wetland management and other improvements in the North Hillsboro Industrial Urban Renewal Area. The Council entered into a second loan agreement in June 2021 for \$25.3 million to fund land acquisition, transportation, utility, and trail infrastructure, wetland management and other improvements in the North Hillsboro Industrial Urban Renewal Area. Further information may be found in Note 5 of the Notes to the Basic Financial Statements.

Economic Factors

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

Financial Contact

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

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BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION

JUNE 30, 2023

ASSETS

Deposits and investments held by the City of Hillsboro	\$ 13,043,489
Collections held by county treasurer	25,776
Property taxes receivable	147,685
Accounts receivable	44,611
Land held for resale	59,897,641
Noncurrent asset:	
Note receivable, due within one year	29,754
Note receivable, due in more than one year	608,429
Capital assets not being depreciated	538,234
Capital assets, net	<u>7,360,850</u>
TOTAL ASSETS	<u>81,696,469</u>

LIABILITIES

Accounts payable	60,421
Accrued interest payable	105,062
Noncurrent liabilities:	
Due within one year	2,508,000
Due in more than one year	<u>39,693,000</u>
TOTAL LIABILITIES	<u>42,366,483</u>

NET POSITION

Net investment in capital assets	6,724,556
Restricted for capital projects	26,236,064
Restricted for debt service	<u>6,369,366</u>
TOTAL NET POSITION	<u>\$ 39,329,986</u>

See notes to basic financial statements.

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

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

<u>ACTIVITY</u>	<u>Expenses</u>	<u>Fees, Fines, and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net Expense and Change in Net Position</u>
GOVERNMENTAL ACTIVITIES:				
Community development	\$ 2,550,951	\$ 1,640,257	\$ 33,215	\$ (877,479)
Interest on long term debt	<u>1,380,009</u>	<u>-</u>	<u>-</u>	<u>(1,380,009)</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 3,930,960</u>	<u>\$ 1,640,257</u>	<u>\$ 33,215</u>	<u>(2,257,488)</u>
GENERAL REVENUES AND CONTRIBUTIONS:				
Property taxes				12,112,005
Earnings on investments				<u>264,565</u>
TOTAL GENERAL REVENUES AND CONTRIBUTIONS				<u>12,376,570</u>
CHANGE IN NET POSITION				10,119,082
NET POSITION - beginning				<u>29,210,904</u>
NET POSITION - ending				<u>\$ 39,329,986</u>

See notes to basic financial statements.

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

**BALANCE SHEET -
GOVERNMENTAL FUNDS**

JUNE 30, 2023

	<u>Downtown Hillsboro Capital Projects</u>	<u>North Hillsboro Industrial Capital Projects</u>	<u>Downtown Hillsboro Debt Service</u>	<u>North Hillsboro Industrial Debt Service</u>	<u>Total</u>
ASSETS:					
Deposits and investments held by the City of Hillsboro	\$ 1,778,571	\$ 6,150,561	\$ 292,417	\$ 4,821,940	\$ 13,043,489
Collections held by county treasurer	-	-	4,807	20,969	25,776
Property taxes receivable	-	-	29,528	118,157	147,685
Accounts receivable	18,102	14,427	691	11,391	44,611
Land held for resale	1,105,911	58,791,730	-	-	59,897,641
TOTAL ASSETS	<u>\$ 2,902,584</u>	<u>\$ 64,956,718</u>	<u>\$ 327,443</u>	<u>\$ 4,972,457</u>	<u>\$ 73,159,202</u>
LIABILITIES:					
Accounts payable	\$ 43,365	\$ 17,056	\$ -	\$ -	\$ 60,421
TOTAL LIABILITIES	<u>43,365</u>	<u>17,056</u>	<u>-</u>	<u>-</u>	<u>60,421</u>
DEFERRED INFLOW OF RESOURCES:					
Unavailable revenue - property taxes	-	-	24,363	95,512	119,875
TOTAL DEFERRED INFLOW OF RESOURCES:	<u>-</u>	<u>-</u>	<u>24,363</u>	<u>95,512</u>	<u>119,875</u>
FUND BALANCES:					
Restricted for debt service	-	-	303,080	4,876,945	5,180,025
Restricted for capital projects	2,859,219	64,939,662	-	-	67,798,881
TOTAL FUND BALANCES	<u>2,859,219</u>	<u>64,939,662</u>	<u>303,080</u>	<u>4,876,945</u>	<u>72,978,906</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES	<u>\$ 2,902,584</u>	<u>\$ 64,956,718</u>	<u>\$ 327,443</u>	<u>\$ 4,972,457</u>	<u>\$ 73,159,202</u>

See notes to basic financial statements.

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

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

JUNE 30, 2023

TOTAL FUND BALANCE	\$ 72,978,906
A portion of the Council's property taxes are collected after year-end, but are not available soon enough to pay for the current year's operations, and therefore are not reported as revenue in the governmental funds.	119,875
Long-term assets, including notes receivable and related interest receivable, are not due and receivable in the current period and, therefore, are not reported in the funds.	638,183
Capital assets are not financial resources and therefore are not reported in the governmental funds.	7,899,084
Accrued interest payable as of the end of the fiscal year is not payable in the current period, and therefore, is not reported in the funds.	(105,062)
Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(42,201,000)</u>
TOTAL NET POSITION	<u><u>\$ 39,329,986</u></u>

See notes to basic financial statements.

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

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

YEAR ENDED JUNE 30, 2023

	Downtown Hillsboro Capital Projects	North Hillsboro Industrial Capital Projects	Downtown Hillsboro Debt Service	North Hillsboro Industrial Debt Service	Total
REVENUES:					
Property taxes	\$ -	\$ -	\$ 2,107,150	\$ 9,957,107	\$ 12,064,257
Grants and donations	30,993	-	-	-	30,993
Development charges	-	1,640,257	-	-	1,640,257
Interest income	20,566	59,434	47,945	136,620	264,565
Note receivable:					
Principal collected	23,650	-	-	-	23,650
Other income	-	-	556	1,666	2,222
TOTAL REVENUES	75,209	1,699,691	2,155,651	10,095,393	14,025,944
EXPENDITURES:					
Current:					
Contractually paid					
personnel services	194,233	231,774	-	-	426,007
Materials and services	801,859	103,704	-	-	905,563
Other expenditures	883,600	-	-	-	883,600
Debt service	-	-	-	3,425,045	3,425,045
Capital outlay:					
General government	-	421,860	-	-	421,860
TOTAL EXPENDITURES	1,879,692	757,338	-	3,425,045	6,062,075
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,804,483)	942,353	2,155,651	6,670,348	7,963,869
OTHER FINANCING SOURCES (USES):					
Transfers in	3,601,000	3,000,000	-	-	6,601,000
Transfers out	-	-	(3,601,000)	(3,000,000)	(6,601,000)
TOTAL OTHER FINANCING SOURCES (USES):	3,601,000	3,000,000	(3,601,000)	(3,000,000)	-
NET CHANGE IN FUND BALANCE	1,796,517	3,942,353	(1,445,349)	3,670,348	7,963,869
FUND BALANCE - BEGINNING	1,062,702	60,997,309	1,748,429	1,206,597	65,015,037
FUND BALANCE - ENDING	\$ 2,859,219	\$ 64,939,662	\$ 303,080	\$ 4,876,945	\$ 72,978,906

See notes to basic financial statements.

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

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

YEAR ENDED JUNE 30, 2023

NET CHANGE IN FUND BALANCE		\$ 7,963,869
<p>The change in net position reported in the Statement of Activities is different because:</p> <p>Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is capitalized, and as needed, allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital asset additions - purchased	350,507	
Depreciation	<u>(227,656)</u>	122,851
Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds.		47,748
The collection of the principal of long-term note receivable increases the current financial resources of governmental funds. This is the amount of current year note receivable principal and accrued interest collected.		(23,650)
Certain conditions of the long-term note receivable were met that caused the forgiveness of outstanding principal. This is the amount of the current year forgiven interest.		(36,772)
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.		5,036
The issuance of long-term debt (e.g. notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The amount is net effect of these differences in the treatment of long-term debt and related items.		
Notes payable principal repayment		<u>2,040,000</u>
CHANGE IN NET POSITION		<u>\$ 10,119,082</u>

See notes to basic financial statements.

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

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

DOWNTOWN HILLSBORO CAPITAL PROJECTS FUND

YEAR ENDED JUNE 30, 2023

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE:				
Grants and donations	\$ -	\$ -	\$ 30,993	\$ 30,993
Note receivable principal collected	24,140	24,140	23,650	(490)
Interest	11,860	11,860	20,566	8,706
TOTAL REVENUES	36,000	36,000	75,209	39,209
EXPENDITURES:				
Personnel services	261,975	261,975	194,233	67,742
Materials and services	2,030,000	2,030,000	801,859	1,228,141
Capital outlay	12,428,925	12,428,925	1,105,911	11,323,014
Special payments	883,600	883,600	883,600	-
TOTAL EXPENDITURES	15,604,500	15,604,500	2,985,603	12,618,897
EXCESS OF EXPENDITURES OVER REVENUES	(15,568,500)	(15,568,500)	(2,910,394)	12,658,106
OTHER FINANCING SOURCES:				
Transfers in	3,601,000	3,601,000	3,601,000	-
Notes payable issued	11,500,000	11,500,000	-	(11,500,000)
TOTAL OTHER FINANCING SOURCES	15,101,000	15,101,000	3,601,000	(11,500,000)
NET CHANGE IN FUND BALANCE	(467,500)	(467,500)	690,606	1,158,106
FUND BALANCE - BEGINNING	467,500	467,500	1,062,702	595,202
FUND BALANCE - ENDING	\$ -	\$ -	\$ 1,753,308	\$ 1,753,308
RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS				
NET CHANGE IN FUND BALANCE			\$ 690,606	
Land held for resale - acquired			1,105,911	
CHANGE IN FUND BALANCE - GAAP BASIS			\$ 1,796,517	

See notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

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

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

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

Basis of Presentation

Government-wide Financial Statements

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

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

Fund Financial Statements

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

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

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

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

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

Use of Estimates

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

Deposits and Investments Held by the City of Hillsboro

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

Land Held for Resale

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

Capital Assets

Capital assets are recorded at cost or estimated cost if actual cost is not known. Donated capital assets are recorded at their acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized. All costs associated with the acquisition or construction of capital assets, are funded with unrestricted net position. The Council defines capital assets as assets with an initial cost of more than \$15,000 and an estimated life of one year or more. The costs of normal repairs and maintenance that do not add to the value of the assets or materially extend their lives are not capitalized. Capital assets are depreciated using the straight-line method over estimated useful lives of 20 to 50 years, depending on the type of infrastructure.

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pension Plan and Other Post Employment Benefits

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

Risk Management

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

Fund Balance

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

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

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

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets

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

The ordinance authorizing appropriations sets the level by which expenditures cannot legally exceed appropriations. The level of budgetary control is set at the personnel services, materials and services, capital outlay, special payments, debt service, operating transfers and contingency category levels. Unexpected additional resources may be added to the budget through the use of a supplemental budget and transfers of appropriation resolutions. Supplemental budgets less than 10% of the fund's original budget may be adopted by the Board of Councilors at a regular Board meeting. A supplemental budget greater than 10% of the fund's original budget requires hearings before the public, publication in newspapers and approval by the Board of Councilors. Original and supplemental budgets may be modified by the use of appropriation transfers between category levels. Such transfers require approval by the Board of Councilors. No supplemental budgets were adopted during the year. All annual appropriations lapse at fiscal year-end.

2. 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. The following table reflects the current year activities of the parcels of land held for resale:

<u>Asset Number</u>	<u>Location</u>	Balance <u>June 30, 2022</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2023</u>
11749	North Hillsboro	\$ 3,880,322	\$ -	\$ -	\$ 3,880,322
11750	North Hillsboro	1,696,119	-	-	1,696,119
12000	North Hillsboro	23,870,204	25,898	-	23,896,102
12014	North Hillsboro	19,443,372	-	5,454	19,437,918
12015	North Hillsboro	9,882,429	-	1,160	9,881,269
12275	Downtown	-	1,105,911	-	1,105,911
		<u>\$ 58,772,446</u>	<u>\$ 1,131,809</u>	<u>\$ 6,614</u>	<u>\$ 59,897,641</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2023

3. CAPITAL ASSETS

Capital assets are comprised of:

	<u>Balance June 30, 2022</u>	<u>Increases</u>	<u>Transfers</u>	<u>Balance June 30, 2023</u>
Capital assets not being depreciated:				
Land	\$ 538,234	\$ -	\$ -	\$ 538,234
Construction in progress	<u>7,237,999</u>	<u>-</u>	<u>(7,237,999)</u>	<u>-</u>
Total capital assets not being depreciated	<u>7,776,233</u>	<u>-</u>	<u>(7,237,999)</u>	<u>538,234</u>
Capital assets being depreciated:				
Infrastructure	<u>-</u>	<u>350,507</u>	<u>7,237,999</u>	<u>7,588,506</u>
Less accumulated depreciation for:				
Infrastructure	<u>-</u>	<u>(227,656)</u>	<u>-</u>	<u>(227,656)</u>
Total capital assets being depreciated, net	<u>-</u>	<u>122,851</u>	<u>7,237,999</u>	<u>7,360,850</u>
Total capital assets, net	<u>\$ 7,776,233</u>	<u>\$ 122,851</u>	<u>\$ -</u>	<u>\$ 7,899,084</u>

4. NOTE RECEIVABLE

On July 9, 2015, the Council issued a \$775,000 loan to a local business for the establishment of a professional theatre in the downtown urban renewal district. The note bears an annual interest rate of 1% commencing September 15, 2015, compounded monthly. The interest increases to 7% in the event of default. Principal and interest payment commenced September 15, 2017, monthly for a period of 20 years. Options of forgivable principal are included in the note for timely payment, using amounts attributed towards interest. \$36,772 in outstanding principal was forgiven during the year for meeting the conditions of this incentive. Notes receivable activity for the year ended June 30, 2023, was as follows:

	<u>Original Amount</u>	<u>Outstanding June 30, 2022</u>	<u>Decrease</u>	<u>Forgiven Principal</u>	<u>Outstanding June 30, 2023</u>
Theatre note receivable	<u>\$ 775,000</u>	<u>\$ 698,605</u>	<u>\$ 23,650</u>	<u>\$ 36,772</u>	\$ 638,183
Current portion					<u>(29,754)</u>
Long-term portion					<u>\$ 608,429</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2023

5. LONG-TERM DEBT

Notes Payable

	Original Amount	Outstanding June 30, 2022	Decrease	Outstanding June 30, 2023
Urban Renewal Series 2019 note; interest at 3.07%, semi-annual payments of principal and interest December 1 and June 1 of each year, due 2034	\$ 23,000,000	\$ 19,221,000	\$ 1,349,000	\$ 17,872,000
Urban Renewal Series 2021 note; interest at 3.18%, semi-annual payments of principal and interest December 1 and June 1 of each year, due 2036	25,286,000	25,020,000	691,000	24,329,000
	\$ 48,286,000	\$ 44,241,000	\$ 2,040,000	42,201,000
Current portion				(2,508,000)
Long-term portion				\$ 39,693,000

Future maturities are as follows:

Fiscal Year	Note Payable	
	Principal	Interest
2024	2,508,000	1,322,332
2025	2,689,000	1,244,109
2026	2,870,000	1,160,174
2027	2,960,000	1,070,534
2028	3,053,000	978,080
2029-2033	16,757,000	3,399,023
2034-2037	11,364,000	728,123
	\$ 42,201,000	\$ 9,902,375

6. TRANSFERS TO/FROM OTHER FUNDS

Transfers were made from the Downtown Hillsboro Debt Service Fund to the Downtown Capital Projects Fund in the amount of \$3,601,000 for the purpose of funding downtown revitalization activities. Transfers from the North Hillsboro Industrial Debt Service Fund to the North Hillsboro Industrial Capital Projects Fund were made in the amount of \$3,000,000 for the purpose of property acquisition in the North Hillsboro Industrial Area and Block 67 repayment.

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2023

7. TAX ABATEMENT

The Council’s tax increment fund revenues were reduced under agreements entered into by the City of Hillsboro and Washington County. The most significant program is the 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. 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 \$25 million. An SIP agreement is between Washington County, the City of Hillsboro and the company. The City has 3 active SIP agreements with two companies as of June 30, 2023. 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.

The following table presents the estimated amounts of property taxes abated by SIP and other abatement programs during the fiscal year ended June 30, 2023:

<u>Tax Abatement Program</u>	<u>Amount of Property Taxes Abated</u>
Strategic Investment Program	\$ 13,065,000
Enterprise Zone	1,167,000
Vertical Housing	61,000
Low Income Housing	23,000

8. SUBSEQUENT EVENTS

The City of Hillsboro and Washington County approved a plan amendment to the North Hillsboro Industrial Renewal Area, which went into effect November 16, 2023. It increased its size from 1,090 to 1,281 acres and the maximum indebtedness for the plan area increased from \$172.2 million to \$268.6 million. The boundary expansion is intended to address industrial site readiness, with the Council’s ability to aggregate large parcels of land. While no debt has been issued subsequent to the fiscal year end, confidential contingent land purchase agreements are in place, should the Council secure additional financing.

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SUPPLEMENTAL INFORMATION

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

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

NORTH HILLSBORO INDUSTRIAL CAPITAL PROJECTS FUND

YEAR ENDED JUNE 30, 2023

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE:				
Development charges	\$ -	\$ -	\$ 1,640,257	\$ 1,640,257
Interest	25,000	25,000	59,434	34,434
Other	2,113,257	2,113,257	-	(2,113,257)
TOTAL REVENUES	2,138,257	2,138,257	1,699,691	(438,566)
EXPENDITURES:				
Personnel services	295,950	295,950	231,774	64,176
Materials and services	1,525,000	1,525,000	103,704	1,421,296
Capital outlay	4,123,307	4,123,307	441,144	3,682,163
TOTAL EXPENDITURES	5,944,257	5,944,257	776,622	5,167,635
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(3,806,000)	(3,806,000)	923,069	4,729,069
OTHER FINANCING SOURCES:				
Transfers in	3,000,000	3,000,000	3,000,000	-
TOTAL OTHER FINANCING SOURCES	3,000,000	3,000,000	3,000,000	-
NET CHANGE IN FUND BALANCE	(806,000)	(806,000)	3,923,069	4,729,069
FUND BALANCE - BEGINNING	806,000	806,000	2,224,863	1,418,863
FUND BALANCE - ENDING	\$ -	\$ -	\$ 6,147,932	\$ 6,147,932
RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS				
NET CHANGE IN FUND BALANCE			\$ 3,923,069	
Land held for resale - acquired			25,898	
Land held for resale - sold			(6,614)	
CHANGE IN FUND BALANCE - GAAP BASIS			\$ 3,942,353	

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

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

DOWNTOWN HILLSBORO DEBT SERVICE FUND

YEAR ENDED JUNE 30, 2023

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes - current	\$ 1,900,000	\$ 1,900,000	\$ 2,090,037	\$ 190,037
Property taxes - prior years	20,000	20,000	17,113	(2,887)
Interest income	20,000	20,000	47,945	27,945
Other income	-	-	556	556
TOTAL REVENUES	1,940,000	1,940,000	2,155,651	215,651
EXPENDITURES:				
Debt service	600,000	600,000	-	600,000
TOTAL EXPENDITURES	600,000	600,000	-	600,000
EXCESS OF REVENUES OVER EXPENDITURES	1,340,000	1,340,000	2,155,651	815,651
OTHER FINANCING USES:				
Transfers out	(3,601,000)	(3,601,000)	(3,601,000)	-
NET CHANGE IN FUND BALANCE	(2,261,000)	(2,261,000)	(1,445,349)	815,651
FUND BALANCE - BEGINNING	2,261,000	2,261,000	1,748,429	(512,571)
FUND BALANCE - ENDING	\$ -	\$ -	\$ 303,080	\$ 303,080

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

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

NORTH HILLSBORO INDUSTRIAL DEBT SERVICE FUND

YEAR ENDED JUNE 30, 2023

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes - current	\$ 5,339,250	\$ 5,339,250	\$ 9,901,400	\$ 4,562,150
Property taxes - prior years	43,260	43,260	55,707	12,447
Interest income	40,000	40,000	136,620	96,620
Other income	-	-	1,666	1,666
TOTAL REVENUES	5,422,510	5,422,510	10,095,393	4,672,883
EXPENDITURES:				
Capital outlay	1,646,639	1,646,639	-	1,646,639
Debt service	3,425,721	3,425,721	3,425,045	676
TOTAL EXPENDITURES	5,072,360	5,072,360	3,425,045	1,647,315
EXCESS OF REVENUES OVER EXPENDITURES	350,150	350,150	6,670,348	6,320,198
OTHER FINANCING USES:				
Transfers out	(3,000,000)	(3,000,000)	(3,000,000)	-
NET CHANGE IN FUND BALANCE	(2,649,850)	(2,649,850)	3,670,348	6,320,198
FUND BALANCE - BEGINNING	2,649,850	2,649,850	1,206,597	(1,443,253)
FUND BALANCE - ENDING	\$ -	\$ -	\$ 4,876,945	\$ 4,876,945

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

SCHEDULE OF PROPERTY TAX TRANSACTIONS

YEAR ENDED JUNE 30, 2023

<u>Tax Year</u>	<u>Uncollected June 30, 2022</u>	<u>Levy as Extended by Assessor</u>	<u>Discounts Allowed</u>	<u>Interest</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Uncollected June 30, 2023</u>
Current Year							
2022-23	\$ -	\$ 12,510,574	\$ (341,567)	\$ 1,587	\$ (65,518)	\$ (11,991,437)	\$ 113,639
Prior Years							
2021-22	\$ 63,879	\$ -	\$ 92	\$ 1,976	\$ (1,246)	\$ (44,465)	\$ 20,236
2020-21	16,865	-	13	981	868	(9,679)	9,048
2019-20	7,085	-	5	781	1,333	(5,954)	3,250
2018-19	1,842	-	2	247	1,810	(3,074)	827
2017-18	379	-	-	33	(5)	(129)	278
2016-17 & Prior	494	-	-	24	14	(125)	407
Total	\$ 90,544	\$ 12,510,574	\$ (341,455)	\$ 5,629	\$ (62,744)	\$ (12,054,863)	\$ 147,685

RECONCILIATION OF TAX COLLECTIONS TO TAX REVENUES:	<u>Tax Collections Above</u>	<u>Change in Taxes Subject to Accrual</u>	<u>Property Tax Revenues</u>
	\$ 12,054,863	\$ 9,394	\$ 12,064,257

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**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**

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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Hillsboro Economic Development Council (the "Council"), a component unit of the City of Hillsboro, Oregon, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated December 1, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Portland, Oregon
December 1, 2023

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**REPORT OF INDEPENDENT AUDITORS
REQUIRED BY OREGON STATE REGULATIONS**

Report of Independent Auditors Required by Oregon State Regulations

Board of Councilors
Hillsboro Economic Development Council
(A component unit of the City of Hillsboro, Oregon)
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, and each major fund of the Hillsboro Economic Development Council (the "Council"), a component unit of the City of Hillsboro, Oregon, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated December 1, 2023.

Compliance

As part of obtaining reasonable assurance about whether the Council'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
- Investments
- Public contracts and purchasing

In connection with our testing, nothing came to our attention that caused us to believe the Council was not in substantial compliance with certain provisions of laws, regulations, contracts, and 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses 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 Board of Councilors, management of the Council, 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, Partner,
for Moss Adams LLP
Portland, Oregon
December 1, 2023

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