



Home of the Tualatin River National Wildlife Refuge

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2019

CITY OF SHERWOOD
Sherwood, Oregon

Comprehensive Annual Financial Report

Year Ended June 30, 2019

Prepared by

City of Sherwood

Finance Department

CITY OF SHERWOOD

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CITY OF SHERWOOD

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INTRODUCTORY SECTION



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Mayor
Keith Mays

Council President
Tim Rosener

Councilors
Renee Brouse
Sean Garland
Russell Griffin
Jennifer Kuiper
Doug Scott
Kim Young

City Manager
Joseph Gall, ICMA-CM

February 26, 2020

Citizens of Sherwood
Honorable Mayor
Members of the City Council

It is our pleasure to present you with the Fiscal Year 2019 Comprehensive Annual Financial Report (CAFR). This report documents the financial position of the City as of June 30, 2019 and the financial results for the fiscal year that ended on that date. We believe that the information contained herein is accurate in all material respects and is presented in a manner that complies with financial reporting requirements.

State law requires that most local governments publish a complete set of audited financial statements presented in conformance with United States Generally Accepted Accounting Principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed Certified Public Accountants (CPA). This report fulfills that requirement.

We hereby issue this Comprehensive Annual Financial Report of the City of Sherwood for the fiscal year ended June 30, 2019. This report is statutorily required to be completed within six months of the end of the fiscal year unless an extension is authorized. An extension of this report has been granted through February 28, 2020.

This CAFR will be submitted to the Government Financial Officers Association for consideration for the Certificate of Achievement for Excellence in Financial Reporting. The Certificate is a national award that recognizes the thoroughness of an entity's CAFR.

Management assumes full responsibility for the completeness and reliability of the information presented in this report, based upon a comprehensive framework of internal controls that it has established for this purpose. Because the cost of internal controls should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free from any material misstatements.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statement in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A begins on page 4 of the Financial Section of this report.

This report is the ninth of the City's annual reports to be audited by the firm of Talbot, Korvola & Warwick, LLP (TKW), a CPA firm licensed by the state of Oregon. They have issued an unmodified opinion on the City of Sherwood's financial statements for the

fiscal year ended June 30, 2019. The independent auditor's report is located at the front of the Financial Section of this report, beginning on page 1.

REPORTING ENTITY

The City of Sherwood is a city with a population of 19,505 located in Washington County, Oregon. It thrives in the same economic environment as the nearby cities of Beaverton, Hillsboro, Tigard, Tualatin, and Wilsonville: a mixture of high tech and traditional industries, with agriculture and forest products continuing to play a critical role in the region's economy.

Sherwood was incorporated in 1893. It is governed by an elected City Council who in turn appoint a professional City Manager to whom they delegate the administration of the City. The City provides law enforcement, public works, library, community services and community development to its citizens. Fire protection is provided by a separate special district.

The City created an Urban Renewal Agency (URA or the Agency) in 2001 and the Agency has been responsible for over \$44.7 million in public improvements in blighted areas since its inception. The City Council serves as the Agency's board of directors and the Agency is reported as a blended component unit within the City's CAFR. The Agency is currently completing some small projects and divesting of property acquired by the URA. The Agency uses tax increment revenues as their sole funding source and has outstanding debt which is anticipated to be paid off in 2022. The URA will shut down shortly after the debt is paid off and all remaining assets will transfer to the City of Sherwood.

The annual budget serves as the foundation for the City's financial planning and control. The department heads of the City submit requests for appropriation to the City Manager. The City Manager, along with the Finance Director and the Senior Leadership Team, develop a balanced budget for the following year. The proposed budget is then reviewed and approved by the budget committee (consisting of the City Council and an equal number of appointed citizen members) in a series of open public meetings. An additional public hearing and approval by the City Council are necessary for final budget adoption prior to June 30th of each year. Changes to the adopted budget are governed by Local Budget Law state statute and require City Council approval. Budget-to-actual comparisons are provided in this report for each individual fund for which an appropriated annual budget has been adopted.

ECONOMIC ENVIRONMENT

The City of Sherwood was able to come through the recession of the last decade relatively well due to stable property tax revenues and to responsible fiscal management. Development has recently increased and is expected to continue over the next few years. The two main revenue sources for general government purposes are property taxes and franchise fees. Property taxes have moderately increased as new developments are added to the tax rolls and franchise fees have shown a slow increase as well.

The City's economy is linked with that of the entire Portland/Vancouver Metropolitan Region, but is more insulated from economic downturns due to the high education and skill level of its population. According to the United States Census Bureau, Sherwood's Median Household Income (MHI) is \$95,309. This is 70% higher than the state MHI at \$56,119 and 29% higher than Washington County at \$74,033. Sherwood is considered one of the more affluent communities in the State and is in the top 20 cities for household income in the State of Oregon. The income bracket of \$100,000 - \$149,999 accounts for 25.4% of the households.

Top 10 Property Owners Based on FY18-19 Assessed Value (In Thousands of Dollars)		
Taxpayer	Assessed Value	Percentage of Total Assessed Value
WalMart Stores, Inc	\$27,774	1.4%
MGP X Properties LLC	\$21,608	1.1%
Bir Sunfield Lakes OR LLC	\$18,248	0.9%
Target Corporation	\$17,828	0.9%
Portland General Electric	\$17,822	0.9%
Creekview Crossing SPE LLC	\$15,283	0.8%
Tacke LLC & LAF LLC	\$12,401	0.6%
Allied Systems Company	\$12,256	0.6%
Home Depot USA Inc	\$10,729	0.5%
Langer Gramor LLC	\$10,509	0.5%
Total	\$ 164,458	8.2%

Source: Washington County Assessment and Taxation

Franchise fees, another key source of revenue for general government purposes are showing a slight decrease. This reflects an economic environment in which consumption of utility services is stable.

CURRENT ECONOMIC DEVELOPMENT ACTIVITIES

The City of Sherwood is located in one of the most prosperous counties in Oregon and is poised for continued commercial, industrial and residential growth. Sherwood has the land and the infrastructure to serve commercial and industrial growth. The completion of 124th Avenue in December 2018 provides increased freight access to Interstate 5 and other important transportation links

Tonquin Employment Area: The City has completed the preliminary planning for a new area of industrial and commercial development on the east side of town. This 296 acre site is within the urban growth boundary and brokers and developers are currently marketing the properties. This area has two large lot industrial sites which are in short supply in the Metro region. The City has recently conducted pre-applications for annexation and development of two of these sites and we anticipate development on one of the parcels in 2020. The City recently annexed a 39.13-acre parcel, including right-of-way, in August 2019. The City has also had on-going conversations with potential developers of other properties in this area. The construction of 124th Avenue, will open up this area to industrial development. This area is outside of the City limits but the voters have passed the citywide annexation vote requirement. Developers are expected to apply for annexation to the City of Sherwood before construction for the site.

Sherwood Broadband: The City is also nurturing and improving its wholly-owned internet broadband system, Sherwood Broadband. The system now serves several large and small employers in the region as well as providing all internet services for the City and the Sherwood School District. It has the capacity to serve the fiber optic needs of employers who choose to locate in Sherwood and there have been steps taken expand the availability to underserved businesses in the City in the upcoming years.

Hampton Inn: Sherwood will have its first hotel when the Hampton Inn opens in 2020. Approximately 73 rooms will support the tourism industry in the Sherwood area.

Residential Growth: The residential growth in Sherwood has been higher than most other cities in the state over the past 10 – 20 years. However, available land for residential needs inside the City limits is quickly dwindling. A portion of the Brookman area was annexed in 2017 and a 145 lot subdivision was approved in July 2019. The River Terrace neighborhood, north of Sherwood in Tigard is developing quickly and we expect that to bring additional commercial shopping activity into Sherwood.

Sherwood West Residential Expansion Infrastructure: Sherwood West contains 1,291 acres now in urban reserves, but is not slated to be included in the City's urban growth boundary until 2021 and beyond. Once included it will open up a westward expansion of residential lands.

Cedar Creek Plaza: A 50,000 square foot retail shopping center development was completed in 2019 with an adjacent major Assisted Living Facility (143,400 square feet).

Parkway Village South: A 93,000 square foot indoor entertainment and recreation center with an additional 32,500 square feet of retail will open in late 2019.

The Springs: Expansion of an existing Assisted Living facility. This development will construct a two story addition with 20 assisted living rooms and a three story addition with 73

independent living dwelling units. The project is currently under construction and is expected to be opened in the fall of 2019.

Cannery Property Projects: The Sherwood Urban Renewal Agency is in the final stages of a \$13 million transformation of what is called the Cannery Property. This is a 7-acre site in Old Town Sherwood that was the site of a long out-of-use cannery. The Urban Renewal Agency owns the property and broke ground in 2011 with road and plaza construction. The construction of the new Sherwood Center for the Arts that houses a theater and classrooms was completed in February 2015. These projects are being partially funded through a state economic development loan secured with the Urban Renewal Agency's tax increment financing funds, backed up by a full faith and credit pledge of the City. Private development on the site completed construction of a 101 unit apartment complex that opened spring of 2014. There are a number of lots that the Urban Renewal Agency expects to sell in the next few years for additional retail/office purposes.

CRITICAL FINANCIAL INFORMATION

Budget: The total City budget for Fiscal Year 2019 (FY19) is \$57.6 million. Only \$18 million (30%) of the revenue supporting the budget is available for general purposes. The remaining portion of the budget (\$39.6 million) is constrained by statute or loan covenants to specific purposes, primarily infrastructure construction and maintenance.

Debt: As of June 30, 2019, the City had outstanding general obligation debt of \$0.5 million, outstanding notes payable of \$31.7 million, and outstanding capital leases of \$0.3 million. Total debt was \$32.5 million. The General Obligation debt is repaid from dedicated, voter-approved property tax assessments. The notes payable debt as well as leases payable are repaid from tax increment financing and utility user fees. In October of 2016, Moody's Investors Services affirmed the City's Aa3 rating on General Obligation Bonds.

Independent Audit: The City's financial records are subject to annual audit by an independent accountant. This audit is conducted in accordance with generally accepted auditing standards, and Minimum Standards for Audits of Oregon Municipal Corporations as prescribed by the Oregon Secretary of State. The auditor must determine whether the City followed generally accepted accounting and reporting principles. The accounting firm of Talbot, Korvola & Warwick, LLP, of Lake Oswego Oregon, conducted the audit for the fiscal year ending June 30, 2019. Their report is found in the Financial Section of this report.

AWARDS AND ACKNOWLEDGEMENTS

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 Sherwood for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018. This was the seventh consecutive year that the City of Sherwood has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR 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.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget for fiscal year 2018-19. This was the 17th consecutive year that the City has received this prestigious award. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide and a communications device.

The preparation of this report was made possible by the dedicated service of the staff of the Finance department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

We would also like to acknowledge the financial and organizational commitment of the City Council and Budget Committee to our continual pursuit of improved financial accountability.

Sincerely,



Joseph P. Gall, ICMA-CM
City Manager



David Bodway III
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Sherwood
Oregon**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

2019 CITY OF SHERWOOD

**CITY OFFICIALS
JUNE 30, 2019**

ELECTED OFFICIALS

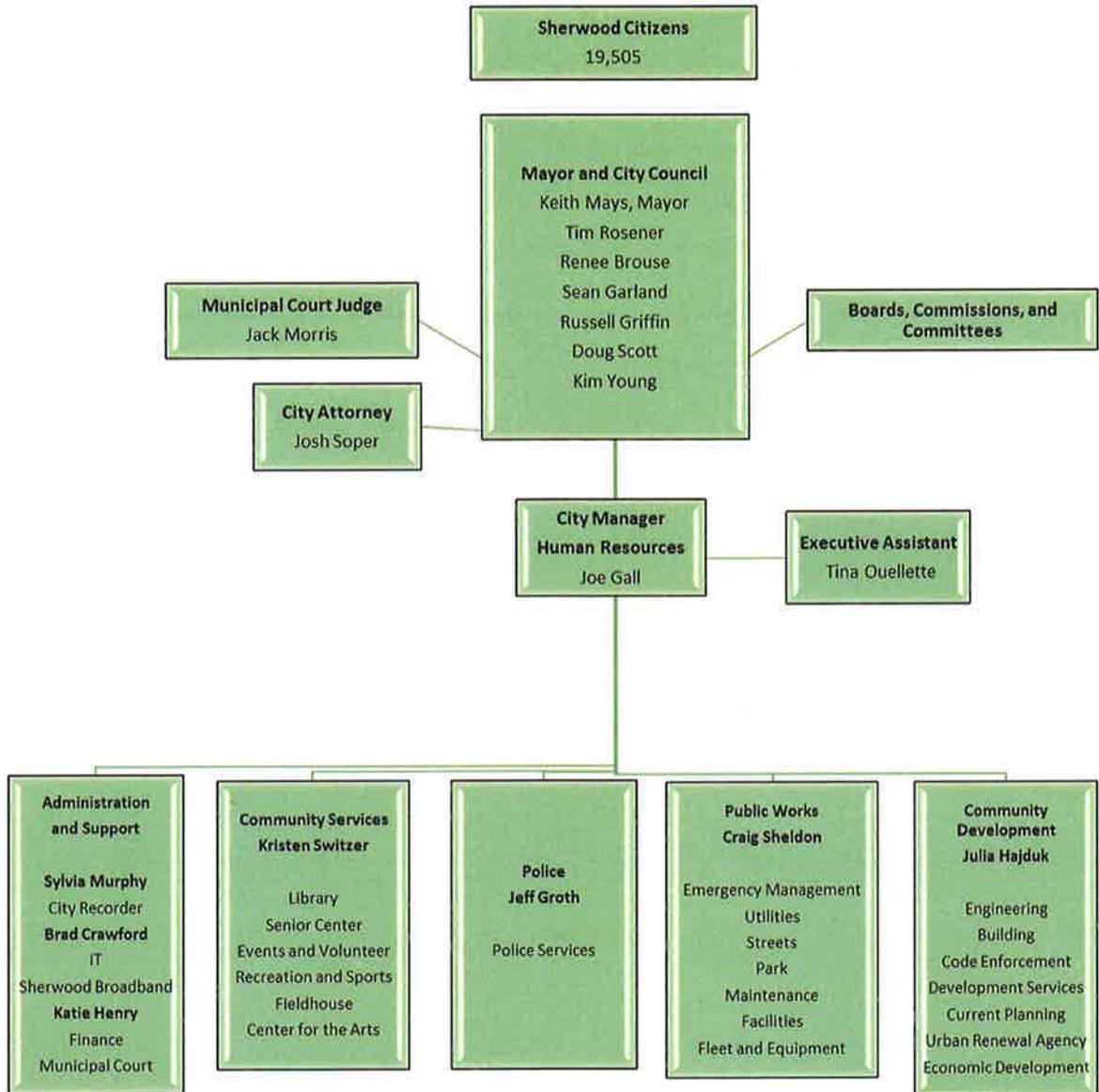
Name	Term Expires
Mayor Keith Mays	January 2021
Councilor Tim Rosener	January 2023
Councilor Renee Brouse	January 2021
Councilor Sean Garland	January 2021
Councilor Russell Griffin	January 2023
Councilor Doug Scott	January 2023
Councilor Kim Young	January 2021

PRINCIPAL ADMINISTRATIVE OFFICIALS

Name	Title
Joseph Gall, ICMA-CM	City Manager
Katie Henry	Finance Director
Josh Soper	City Attorney

All may be reached at:
22560 SW Pine St
Sherwood, OR 97140

2019 CITY OF SHERWOOD ORGANIZATION CHART



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT



**Talbot, Korvola
& Warwick, LLP**

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INDEPENDENT AUDITOR'S REPORT

City Council
City of Sherwood
Sherwood, Oregon

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sherwood, Oregon (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINIONS

In our opinion, the 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, 2019, 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.



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INDEPENDENT AUDITOR'S REPORT (Continued)

City Council
City of Sherwood
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OTHER MATTERS

Required Supplementary Information

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

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

Other 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 combining and individual fund statements, collectively presented as Other Supplementary Information, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Other Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT (Continued)

City Council
City of Sherwood
Page 3

OTHER MATTERS (Continued)

Other Information

The Introductory, Other Information and Statistical sections as listed in the Table of Contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

OTHER REPORTING REQUIRED BY OREGON MINIMUM STANDARDS

In accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated February 26, 2020, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

TALBOT, KORVOLA & WARWICK, LLP

By



Timothy R. Gillette, Partner

Lake Oswego, Oregon
February 26, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF SHERWOOD, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

This section of the City of Sherwood's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019 presents the highlights of financial activities and illustrates the financial position of the City of Sherwood, Oregon ("the City") for the year ended June 30, 2019 ("FY19"). It has been prepared by management and should be read in conjunction with the financial statements and notes. To make this report easier to read, all dollar amounts have been rounded to the nearest million or thousand, as indicated.

1. FINANCIAL HIGHLIGHTS

Government-Wide

- Total assets and deferred outflows of the City exceed total liabilities and deferred inflows at the close of FY19 by \$162.4 million (net position). Of this amount, \$11.8 million may be used to meet the City's ongoing obligations to its citizens and creditors (unrestricted net position).
- Current assets were \$44.6 million at the end of FY19. Of that amount, \$40.7 million (91%) of current assets were in cash and investments. Sherwood's current assets increased by \$6.8 million (18.1%) during FY19. This is due to prudent fiscal management and increases in receipts related to development.
- Sherwood had capital and long-term assets (net of depreciation) of \$163.9 million at the end of FY19. Sherwood's capital and long-term assets decreased by \$0.1 million during FY19. The primary reasons for the lack of change is the completion of several on-going capital asset projects during the year.

At the Consolidated Fund Level

- In the aggregate, the governmental funds' ending fund balance was \$17.7 million, an increase of approximately \$3.0 million (20%) for the fiscal year.
- In the aggregate, the proprietary funds' ending fund balance equivalent, *Net Position*, was \$92.0 million, an increase of \$5.2 million (6%) for the fiscal year.
- Total property tax revenue was \$9.9 million, an increase of \$0.4 million (4%) from FY18 levels.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This Discussion and Analysis serves as an introduction and summary of the City's basic financial statements. It is followed by the basic financial statements themselves, which are made up of three elements; Government-Wide Financial Statements, Fund Financial Statements, and Notes to Basic Financial Statements.

This report also contains required and other supplementary information in addition to the basic financial statements.

CITY OF SHERWOOD, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

2. OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Government-Wide Financial Statements The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies.

One way to evaluate the City's financial position is by measuring the City's net positions and how they change over time. Tables 1 and 2 provide this evaluation. The Statement of Net Position (Table 1) includes the City's assets, deferred outflow of resources, liabilities, and deferred inflows of resources with the difference reported as *net position*. Over time, increases and decreases in net position may serve as a useful indicator of improvements or deterioration of the City's financial position.

The Statement of Activities (Table 2) presents all of the current year's revenues and expenses to show the source of the changes in net position. These two tables together show the City's net positions and how they have changed in the 12 months ending June 30, 2019.

Both of these statements are divided into two categories: *Governmental Activities* and *Proprietary Activities*.

Governmental Activities include most of the City's basic services such as police, library, streets, community development, community services, and general administration. These are generally tax and fee supported functions.

Proprietary Activities are those functions for which the City charges fees for a direct provision of services. These services include water, sewer, storm, and broadband utilities. These are business-like entities, where the focus is on long term financial needs.

CITY OF SHERWOOD, OREGON

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

2. OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Statement of Net Position

Table 1 shows that the City's total net position increased from \$154.4 million to \$162.2 million during FY19. This was an increase of \$8 million or 5.1%.

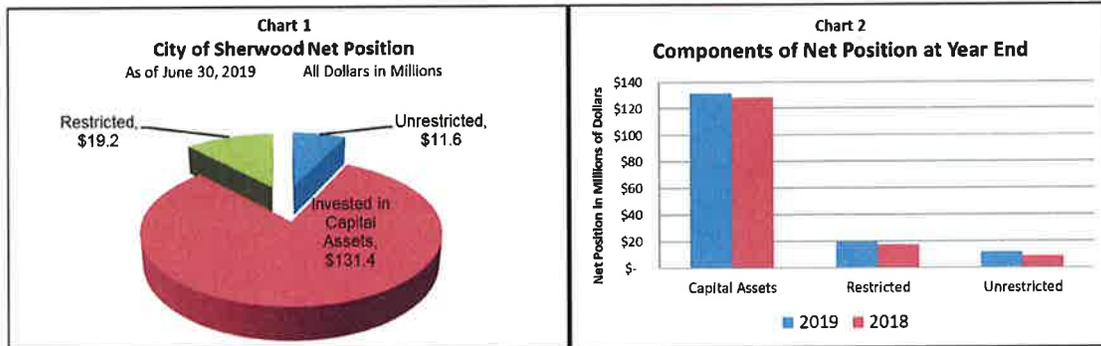
Table 1						
Sherwood's Net Position						
At Fiscal Year End (June 30, 2019 and 2018)						
<i>In Millions of Dollars</i>						
	<u>Governmental Activities</u>		<u>Proprietary Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
ASSETS:						
Current assets	\$ 20.2	\$ 16.5	\$ 24.4	\$ 21.3	\$ 44.6	\$ 37.8
Capital and long-term assets	74.1	76.0	89.9	88.0	163.9	164.0
TOTAL ASSETS	<u>94.2</u>	<u>92.5</u>	<u>114.3</u>	<u>109.3</u>	<u>208.5</u>	<u>201.8</u>
DEFERRED OUTFLOWS:	<u>4.2</u>	<u>3.8</u>	<u>0.6</u>	<u>0.5</u>	<u>4.8</u>	<u>4.2</u>
LIABILITIES:						
Current liabilities	5.2	4.4	2.6	2.2	7.8	6.6
Long-term liabilities	21.8	23.9	20.1	20.7	41.9	44.6
TOTAL LIABILITIES	<u>27.0</u>	<u>28.3</u>	<u>22.7</u>	<u>22.9</u>	<u>49.7</u>	<u>51.2</u>
DEFERRED INFLOWS:	<u>1.1</u>	<u>0.4</u>	<u>0.2</u>	<u>0.1</u>	<u>1.3</u>	<u>0.5</u>
NET POSITION:						
Invested in capital assets	60.8	60.1	70.6	68.3	131.4	128.4
Restricted	11.9	9.9	7.3	7.5	19.2	17.4
Unrestricted	(2.4)	(2.4)	14.0	11.0	11.6	8.6
TOTAL NET POSITION	<u>\$ 70.4</u>	<u>\$ 67.6</u>	<u>\$ 92.0</u>	<u>\$ 86.8</u>	<u>\$ 162.2</u>	<u>\$ 154.4</u>

As Chart 1 on the next page shows, the City's net investment in capital assets accounts for the majority of the City's net position. The City has invested \$131.4 million in land, buildings, equipment, and infrastructure (less depreciation and outstanding debt used to acquire those assets). The City uses these assets to provide services to its citizens so they are not assets that are available for future spending. Restricted net position (\$19.2 million) relates to amounts that are legally restricted for specific future obligations. Unrestricted net position (\$11.8 million) is available to meet the City's on-going obligations.

CITY OF SHERWOOD, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

2. OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)



Statement of Activities

The Statement of Activities (Table 2) presents the changes in net position by detailing the revenues and expenses for the Fiscal Years 2019 and 2018. This information is broken into Governmental Activities and Proprietary Activities. Revenues and expenses are segregated by general categories (revenues) and programs (expenses). Highlights of increases and decreases of the year are as follows.

Governmental Activities

- Revenue increased by a net of \$1.6 million (7.4%) primarily due to the charges for services related to development. Total expenses remained relatively stable with a increase of \$0.03 million (0.1%) in FY19.

Proprietary Activities

- Overall revenue increased from FY18 by \$1.0 million (8.5%).
 - Charges for services increased by \$0.2 million (2.7%) mainly due to an increase in utility rate payer revenue.
 - Capital contributions increased by \$0.5 million (24.5%) due to increased development activity resulting in increased System Development Charges (SDCs).
- Expenses decreased by \$0.1 million (1.9%) in FY19.

CITY OF SHERWOOD, OREGON

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

2. OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Table 2						
Statement of Activities						
For the Fiscal Years Ending (June 30, 2019 and 2018)						
<i>In Millions of Dollars</i>						
	Governmental Activities		Proprietary Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
<u>Program Revenues</u>						
Charges for services	\$ 5.2	\$ 4.2	\$ 9.2	\$ 9.0	\$ 14.5	\$ 13.2
Operating grants/contributions	4.0	3.4	0.0	-	4.0	3.4
Capital grants/contributions	2.2	1.7	2.3	1.9	4.5	3.6
<u>General revenues</u>						
Property taxes	9.9	9.5	-	-	9.9	9.5
Franchise fees	2.0	2.0	-	-	2.0	2.0
Other general revenue	0.5	1.4	0.6	0.4	1.1	1.8
Total revenues	<u>\$ 23.8</u>	<u>\$ 22.2</u>	<u>\$ 12.2</u>	<u>\$ 11.2</u>	<u>\$ 36.0</u>	<u>\$ 33.4</u>
Expenses						
<u>Governmental Activities</u>						
Administration	\$ 2.7	\$ 3.0	\$ -	\$ -	\$ 2.7	\$ 3.0
Community development	2.2	1.9	-	-	2.2	1.9
Public safety	4.5	4.2	-	-	4.5	4.2
Community services	2.7	2.4	-	-	2.7	2.4
Public works	8.4	8.9	-	-	8.4	8.9
Interest on long-term debt	0.5	0.6	-	-	0.5	0.6
<u>Proprietary Activities</u>						
Water	-	-	4.2	4.6	4.2	4.6
Sanitary	-	-	0.9	0.7	0.9	0.7
Storm	-	-	1.3	1.3	1.3	1.3
Broadband	-	-	0.6	0.5	0.6	0.5
Total expenses	<u>\$ 21.0</u>	<u>\$ 21.0</u>	<u>\$ 7.0</u>	<u>\$ 7.1</u>	<u>\$ 28.0</u>	<u>\$ 28.0</u>
Special item-Settlement	-	-	-	-	-	-
Change in net position	\$ 2.8	\$ 1.2	\$ 5.2	\$ 4.1	\$ 8.0	\$ 5.3
Beginning Net Position as Originally Stated	67.6	66.8	86.8	82.7	154.4	149.5
Restatement	-	(0.4)	-	(0.1)	-	(0.5)
Beginning Net Position as Restated	<u>67.6</u>	<u>66.4</u>	<u>86.8</u>	<u>82.6</u>	<u>154.4</u>	<u>149.0</u>
Ending Net Position	\$ 70.4	\$ 67.6	\$ 92.0	\$ 86.8	\$ 162.4	\$ 154.4

CITY OF SHERWOOD, OREGON

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

3. FINANCIAL ANALYSIS OF THE CITY'S FUNDS

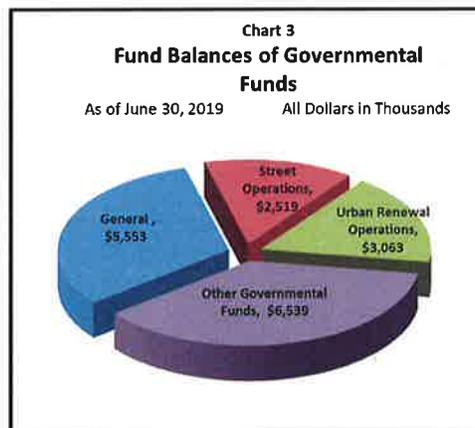
The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and accounting standards. While there are numerous ways of categorizing funds, for simplicity sake, this report will continue the format initiated above, using the *Governmental* activities and *Proprietary* activities split.

Governmental Funds in Total

The focus of the governmental funds is to provide information on near-term inflows, outflows, and fund balances of spendable resources for activities that are generally tax-supported. These funds focus on cash flow and indicate how well the City of Sherwood balances current revenues with current outflows. This is different than the focus of the proprietary funds, which rely on user fees directly related to the provision of services. The focus of proprietary funds is on the long term sustainability of the functions, similar to the focus of private sector entities. Net position is the key indicator of that sustainability.

Ending fund balances for the Governmental Funds increased by \$3.0 million (20%).

Table 3					
Governmental Funds: Changes in Fund Balance					
Fiscal Year 2019					
<i>On a Modified Accrual Basis - In Thousands of Dollars</i>					
	General	Street Operations	Urban Renewal Operations	Other Governmental Funds	Totals
Beginning Fund Balances	\$ 4,478	\$ 2,084	\$ 2,135	\$ 5,991	\$ 14,688
Change in Fund Balances	<u>1,074</u>	<u>435</u>	<u>928</u>	<u>549</u>	<u>2,986</u>
Ending Fund Balances June 30, 2019	\$ 5,553	\$ 2,519	\$ 3,063	\$ 6,539	\$ 17,674



- The General Fund increased 24% due to increased development and a slight increase in property taxes.
- The Street Operations Fund increased by 21% due mainly to limited construction activity in FY19. In this fund, revenue is generated and spent on projects, but not necessarily in the same fiscal year. It is normal for operations to fluctuate year over year.

CITY OF SHERWOOD, OREGON

**MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

3. FINANCIAL ANALYSIS OF THE CITY’S FUNDS (Continued)

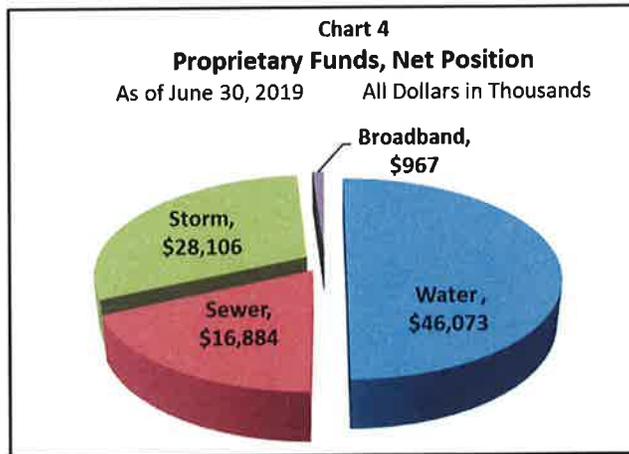
Governmental Funds in Total (Continued)

- The Urban Renewal Operations fund increased 43% due to slowing of capital projects as the URA approaches the end of its life and a slight increase in property taxes. Remaining revenues will be used to wrap up existing projects and to pay off debt until the debt can be paid off in full.
- The Street Capital Fund, which is a non-major fund included in Other Governmental Funds, increased .4 million (10%) from development related fees.

Proprietary Funds

Table 4 and Chart 4 show that ending net position for the proprietary funds was \$92.0 million, \$5.2 million (6%) higher than last year.

Table 4					
Proprietary Funds, Changes in Net Position					
Fiscal Year 2019					
	<i>On an Accrual Basis</i>		<i>In Thousands of Dollars</i>		
	Water	Sewer	Storm	Broadband	Totals
Beginning Net Position	\$ 42,716	\$ 16,545	\$ 26,637	\$ 940	\$ 86,838
Change in Net Position	3,357	339	1,469	27	5,192
Net Position June 30, 2019	\$ 46,073	\$ 16,884	\$ 28,106	\$ 967	\$ 92,030



- Water – increase due to revenue from utility rates while capital activity remains low as well as revenue related to development and contributed assets from private developers.
- Sewer – increase in revenue related to development and contributed assets from private developers.
- Storm – increase due to revenue from utility rates as well as contributed assets from private developers.
- Broadband – increase due to contributed assets from private developers.

CITY OF SHERWOOD, OREGON

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

4. GENERAL FUND BUDGETARY HIGHLIGHTS

Original Budget Compared to Final Budget. The General Fund budgetary schedule (on page 66) shows that during the year City Council approved appropriation transfers resulting in a net increase in expenditure appropriations of \$175,503.

Final Budget Compared to Actual Results. The year-end fund balance was \$1.7 million higher than budgeted with major variances as follows.

- Revenue came in \$0.2 million over budget due mainly to development fees and increased property tax receipts.
- Expenditures were carefully controlled in all divisions with the elimination of two positions and reclassification of another in Administration which led to about \$0.8 million in savings.
- Contingency budget of \$0.7 million was not used.

The ending fund balance for the General Fund is higher than budgeted and is higher than in previous fiscal year. The City has made a conscious decision to save fund balance from one-time events (such as the sale of land) or from temporary increases (such as from development) in anticipation of upcoming demands facing governments with the limitations on property tax revenues and increasing costs, notably costs associated with the public retirement system (PERS). Management remains vigilant and will continue to closely monitor the fund balance in the General Fund as well as the City's five-year financial outlook.

5. CAPITAL ASSETS

Government wide, capital assets decreased to \$163.4 million in FY19. This was a decrease of \$0.1 million (0.06%).

Table 5						
Government Wide Capital Assets						
Net of Depreciation						
For the Fiscal Years Ending (June 30, 2019 and 2018)						
In Millions of Dollars						
	Governmental Activities		Proprietary Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 12.5	\$ 12.5	\$ 0.2	\$ 0.2	\$ 12.8	\$ 12.7
Intangibles	6.3	5.9	3.0	2.9	9.3	8.8
Construction In Progress	1.9	0.9	1.3	0.1	3.3	1.1
Infrastructure	26.2	28.7	84.5	83.9	110.8	112.6
Buildings & Improvements	25.8	26.9	0.0	0.0	25.8	26.9
Machinery and Equipment	0.7	0.7	0.2	0.2	0.9	0.9
Vehicles	0.6	0.4	0.1	0.2	0.7	0.6
Total Capital Assets	\$ 74.0	\$ 76.0	\$ 89.3	\$ 87.5	\$ 163.4	\$ 163.5
Accumulated Depreciation	\$ 75.1	\$ 69.7	\$ 16.6	\$ 15.5	\$ 91.7	\$ 85.2

CITY OF SHERWOOD, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

5. CAPITAL ASSETS (Continued)

Major changes to capital assets, net of depreciation expense are as follows:

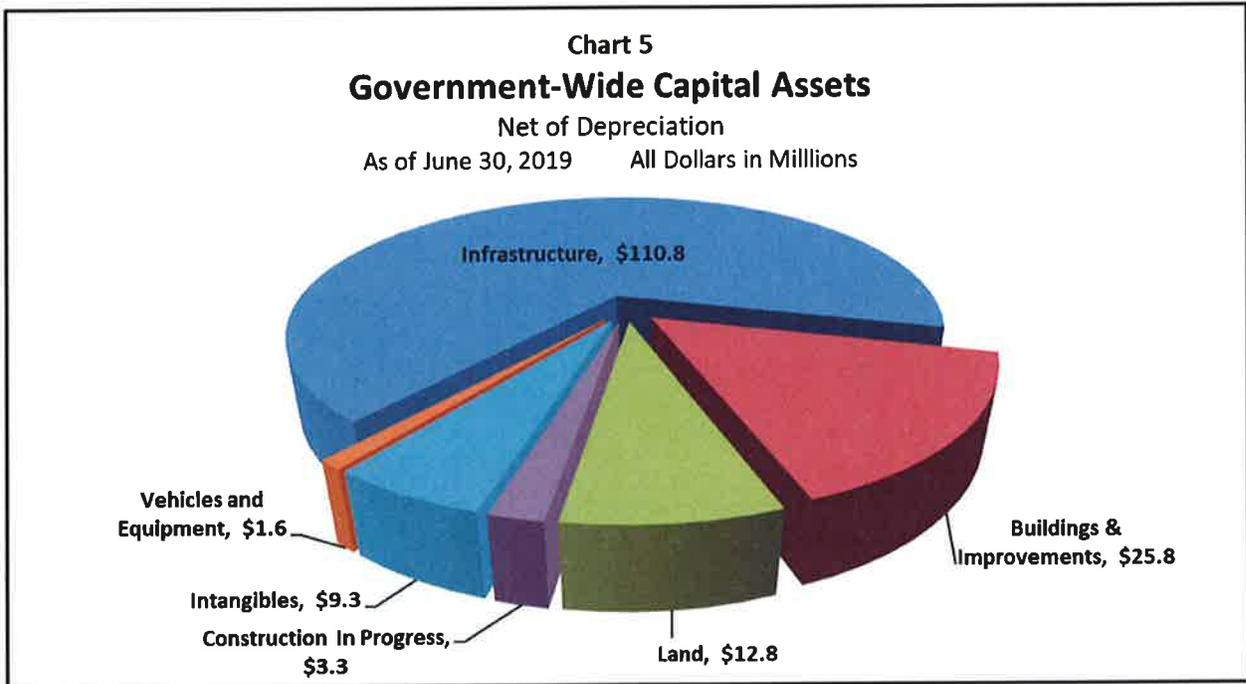
Governmental Activities:

- Street improvements: (\$0.2 million)
- URA Parking lot completion: \$0.4 million
- Contributed infrastructure from private developers: \$1.2 million

Proprietary Activities:

- Storm water improvements: \$0.2 million
- Contributed infrastructure from private developers: \$1.5 million

Chart 5 shows the allocation of Capital Assets by category. Intangible assets are easements donated to and purchased by the City for right-of-way uses. Additional information regarding capital assets may be found in Note II.C.



CITY OF SHERWOOD, OREGON

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

6. DEBT OUTSTANDING

On June 30, 2019, the City had long term debt obligations of \$32.5 million. Of this amount, \$0.5 million will be serviced by dedicated property taxes and \$12.5 million will be serviced by tax increment revenues. \$19.2 million is categorized as full faith and credit obligations, but is being serviced from utility rate revenue.

Outstanding debt decreased by the principal payments made on debt in FY19. Additional information regarding the City's long-term obligations may be found in Note II.F. of the Notes to Basic Financial Statements.

<p align="center">Table 6 Outstanding Debt at Fiscal Year End For the Fiscal Years Ending (June 30, 2019 and 2018)</p> <p align="center"><i>In Millions of Dollars</i></p>						
	<p align="center">Governmental Activities</p>		<p align="center">Proprietary Activities</p>		<p align="center">Total</p>	
	2019	2018	2019	2018	2019	2018
Full Faith and Credit	\$ -	\$ -	\$ 19.18	\$ 20.21	\$ 19.18	\$ 20.21
General Obligation Bonds	0.52	0.77	-	-	0.52	0.77
Tax Increment Revenue	12.50	14.81	-	-	12.50	14.81
Capital Leases	0.04	0.04	0.25	-	0.29	0.04
Total Outstanding Debt	\$ 13.06	\$ 15.62	\$ 19.42	\$ 20.21	\$ 32.48	\$ 35.83

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The primary economic factor influencing the City of Sherwood budget is growth in the active markets of commercial, industrial and residential. Current and foreseeable future growth has increased having a moderate impact on the City's revenue. Recent developments will contribute to increased property tax revenues but likely this will not be reflected for another year. Other General Fund revenue sources are expected to continue with the trend of minimal annual increases. These increases in General Fund revenue have been forecast in next year's budget.

CITY OF SHERWOOD, OREGON

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (CONTINUED)

The fees required to support the City's proprietary activities have been updated in the water fund and SDC rates have been updated based on recent studies. The 2% City charter limitation on future tax and fee increases over time will impact the water and street funds. The impact to sewer and stormwater funds is lessened by the fact that Clean Water Services has historically set these rates.

Personnel services costs are projected to increase due to costs of merit increases and cost-of-living adjustments. Several new positions have been initiated in this budget cycle and are likely to offset any significant cost savings from last year's personnel reduction.

8. FINANCIAL CONTACT

The City's financial statements are designed to present City taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact David Bodway, Finance Director, at 22560 SW Pine Street, Sherwood Oregon, 97140; (503) 625-4248; or BodwayD@SherwoodOregon.gov.

BASIC FINANCIAL STATEMENTS

CITY OF SHERWOOD
Sherwood, Oregon

STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Current assets:			
Cash and investments	\$ 18,127,237	\$ 22,599,004	\$ 40,726,241
Receivables, net	1,769,783	1,802,789	3,572,572
Prepays	281,617	2,218	283,835
Total current assets	20,178,637	24,404,011	44,582,648
Noncurrent assets:			
Investment in joint ventures	-	624,293	624,293
Net other post employment benefits asset	66,282	8,924	75,206
Capital assets:			
Land, improvements and construction in progress	20,726,571	4,397,480	25,124,051
Other capital assets, net	53,264,150	84,855,101	138,119,251
Total noncurrent assets	74,057,003	89,885,798	163,942,801
TOTAL ASSETS	94,235,640	114,289,809	208,525,449
DEFERRED OUTFLOWS			
Pension	4,140,593	613,594	4,754,187
Other Post Employment Benefits	68,988	9,288	78,276
TOTAL DEFERRED OUTFLOWS	4,209,581	622,882	4,832,463
LIABILITIES:			
Current liabilities:			
Accounts payable and other current liabilities	1,748,468	1,333,162	3,081,630
Payroll payable	379,643	59,474	439,117
Accrued interest	131,767	55,481	187,248
Current portion of long-term obligations	2,920,041	1,171,151	4,091,192
Total current liabilities	5,179,919	2,619,268	7,799,187
Noncurrent liabilities:			
Net pension liability	10,464,631	1,550,756	12,015,387
Total other post employment benefits obligation	463,115	62,350	525,465
Noncurrent portion of long-term obligations	10,878,802	18,488,533	29,367,335
Total noncurrent liabilities	21,806,548	20,101,639	41,908,187
TOTAL LIABILITIES	26,986,467	22,720,907	49,707,374
DEFERRED INFLOWS			
Pension	1,003,308	148,683	1,151,991
Other post employment benefits	96,042	12,929	108,971
TOTAL DEFERRED INFLOWS	1,099,350	161,612	1,260,962
NET POSITION:			
Net investment in capital assets	60,754,301	70,618,624	131,372,925
Restricted for:			
Capital assets	6,195,077	7,256,396	13,451,473
Street and roadside maintenance	2,518,669	-	2,518,669
Urban renewal projects	3,063,003	-	3,063,003
Debt service	67,655	-	67,655
Tourism	5,743	-	5,743
OPEB Asset	66,282	8,924	75,206
Unrestricted	(2,311,325)	14,146,228	11,834,903
TOTAL NET POSITION	\$ 70,359,405	\$ 92,030,172	\$ 162,389,577

See notes to basic financial statements

CITY OF SHERWOOD
Sherwood, Oregon

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

ACTIVITIES	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
Administration	\$ 2,719,604	\$ 2,150,403	\$ 932,425	\$ -	\$ 363,224	\$ -	\$ 363,224
Community Development	2,247,546	1,667,307	-	325,389	(254,850)	-	(254,850)
Public Safety	4,488,409	82,041	12,531	-	(4,393,837)	-	(4,393,837)
Community Services	2,715,447	608,822	940,942	-	(1,165,683)	-	(1,165,683)
Public Works	8,371,532	740,061	2,102,576	1,850,155	(3,678,740)	-	(3,678,740)
Interest on long-term obligations	489,255	-	-	-	(489,255)	-	(489,255)
Total governmental activities	<u>21,031,793</u>	<u>5,248,634</u>	<u>3,988,474</u>	<u>2,175,544</u>	<u>(9,619,142)</u>	<u>-</u>	<u>(9,619,142)</u>
Business-Type activities:							
Water	4,244,157	6,078,669	-	1,151,350	-	2,985,862	2,985,862
Sewer	855,669	724,723	2,014	379,564	-	250,632	250,632
Storm	1,291,345	1,966,615	-	672,066	-	1,347,336	1,347,336
Broadband	571,743	473,660	15,000	100,888	-	17,805	17,805
Total business-type activities	<u>6,962,914</u>	<u>9,243,667</u>	<u>17,014</u>	<u>2,303,868</u>	<u>-</u>	<u>4,601,635</u>	<u>4,601,635</u>
Total	<u>\$ 27,994,707</u>	<u>\$ 14,492,301</u>	<u>\$ 4,005,488</u>	<u>\$ 4,479,412</u>	<u>(9,619,142)</u>	<u>4,601,635</u>	<u>(5,017,507)</u>
GENERAL REVENUES							
Property taxes					9,867,587	-	9,867,587
Franchise taxes and fees					2,015,453	-	2,015,453
Unrestricted interest earnings					425,220	590,061	1,015,281
Miscellaneous					114,371	-	114,371
TOTAL GENERAL REVENUES					<u>12,422,631</u>	<u>590,061</u>	<u>13,012,692</u>
CHANGE IN NET POSITION							
					<u>2,803,489</u>	<u>5,191,696</u>	<u>7,995,185</u>
NET POSITION, June 30, 2018					<u>67,555,916</u>	<u>86,838,476</u>	<u>154,394,392</u>
NET POSITION, June 30, 2019					<u>\$ 70,359,405</u>	<u>\$ 92,030,172</u>	<u>\$ 162,389,577</u>

See notes to basic financial statements

CITY OF SHERWOOD
Sherwood, Oregon

GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2019

	General Fund	Street Operations Fund	Urban Renewal Operations Fund	Other Nonmajor Governmental Funds	Totals
ASSETS:					
Cash and investments	\$ 5,968,660	\$ 2,554,868	\$ 3,048,228	\$ 6,555,481	\$ 18,127,237
Receivables	1,054,836	272,063	70,633	372,251	1,769,783
Prepays	281,498	-	119	-	281,617
TOTAL ASSETS	<u>\$ 7,304,994</u>	<u>\$ 2,826,931</u>	<u>\$ 3,118,980</u>	<u>\$ 6,927,732</u>	<u>\$ 20,178,637</u>
LIABILITIES:					
Accounts payable	\$ 982,336	\$ 269,911	\$ 3,021	\$ 219,819	\$ 1,475,087
Payroll payable	360,378	13,199	1,644	4,422	379,643
Other current liabilities	234,346	25,152	-	13,883	273,381
TOTAL LIABILITIES	<u>1,577,060</u>	<u>308,262</u>	<u>4,665</u>	<u>238,124</u>	<u>2,128,111</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	175,375	-	51,193	150,298	376,866
FUND BALANCES:					
Nonspendable in form	281,498	-	119	-	281,617
Restricted for:					
Capital Projects	-	-	-	6,195,077	6,195,077
Street Maintenance	-	2,518,669	-	-	2,518,669
Urban Renewal Projects	-	-	3,063,003	-	3,063,003
Tourism	-	-	-	5,743	5,743
Debt Service	-	-	-	67,655	67,655
Committed to:					
Capital Projects	-	-	-	207,755	207,755
Community Enhancement	-	-	-	66,516	66,516
School District	26,306	-	-	-	26,306
Assigned to:					
Risk Management	18,300	-	-	-	18,300
Fleet Replacement	84,870	-	-	-	84,870
Turf Field Replacement	12,015	-	-	-	12,015
Capital Projects	-	-	-	45,014	45,014
Unassigned	5,129,570	-	-	(48,450)	5,081,120
TOTAL FUND BALANCES	<u>5,552,559</u>	<u>2,518,669</u>	<u>3,063,122</u>	<u>6,539,310</u>	<u>17,673,660</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 7,304,994</u>	<u>\$ 2,826,931</u>	<u>\$ 3,118,980</u>	<u>\$ 6,927,732</u>	<u>\$ 20,178,637</u>

See notes to basic financial statements

CITY OF SHERWOOD
Sherwood, Oregon

**RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2019**

TOTAL FUND BALANCE		\$ 17,673,660
Total net position shown in the Statement of Net Position is different because:		
Capital assets are not financial resources for budgetary purposes and therefore are not reported in the governmental funds.		
Cost	\$ 149,067,644	
Accumulated depreciation	<u>(75,076,923)</u>	73,990,721
Other post employment benefit assets are not financial resources for budgetary purposes and are therefore not reported in the governmental funds		
		66,282
A portion of the City's receivables are collected after year-end but they are not collected soon enough to be available as financial resources for the current year. The revenues related to these receivables are unavailable and are reported as such in the governmental funds.		
		376,866
Deferred Inflows - Pension		(1,003,308)
Deferred Inflows - Other Post Employment Benefits		(96,042)
Deferred Outflows - Pension		4,140,593
Deferred Outflows - Other Post Employment Benefits		68,988
Compensated absences not payable in the current year are not recorded as governmental fund liabilities.		
		(562,424)
Liabilities not payable in the current year are not reported as governmental fund liabilities.		
Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expense when it is due. These amounts consist of:		
Bonds, notes, and leases payable	\$ (13,058,134)	
Pension liability	(10,464,631)	
OPEB liability	(463,115)	
Premium on bonds	(178,285)	
Accrued interest payable	<u>(131,767)</u>	<u>(24,295,932)</u>
TOTAL NET POSITION		<u>\$ 70,359,405</u>

See notes to basic financial statements

CITY OF SHERWOOD
Sherwood, Oregon

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019**

	General Fund	Street Operations Fund	Urban Renewal Operations Fund	Other Nonmajor Governmental Funds	Totals
REVENUES:					
Property Taxes	\$ 5,836,667	\$ -	\$ 3,785,945	\$ 297,944	\$ 9,920,556
Franchises and fees	1,980,159	-	-	35,294	2,015,453
Intergovernmental	1,925,943	1,821,288	-	297,429	4,044,660
Charges for services	2,330,873	648,411	-	76,331	3,055,615
Infrastructure development fees	-	-	-	861,646	861,646
Fines and forfeitures	2,244,830	-	-	-	2,244,830
Interest on investments	139,256	54,443	73,107	158,414	425,220
Miscellaneous	100,804	875	-	-	101,679
TOTAL REVENUES	14,558,532	2,525,017	3,859,052	1,727,058	22,669,659
EXPENDITURES:					
Current:					
Administration	2,682,042	-	91,049	-	2,773,091
Community Development	1,929,042	-	-	-	1,929,042
Public Safety	4,072,675	-	-	-	4,072,675
Community Services	2,169,082	-	-	-	2,169,082
Public Works	1,965,584	1,634,664	-	386,694	3,986,942
Noncurrent					
Capital Outlay	699,750	455,379	-	522,247	1,677,376
Debt Service - Principal	-	-	2,310,910	245,000	2,555,910
Debt Service - Interest	-	-	529,109	24,475	553,584
TOTAL EXPENDITURES	13,518,175	2,090,043	2,931,068	1,178,416	19,717,702
Excess of revenues over expenditures	1,040,357	434,974	927,984	548,642	2,951,957
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	14,762	-	-	-	14,762
Proceeds from capital leases	19,012	-	-	-	19,012
Transfers in	-	-	-	103,916	103,916
Transfers out	-	-	-	(103,916)	(103,916)
TOTAL OTHER FINANCING SOURCES (USES)	33,774	-	-	-	33,774
NET CHANGE IN FUND BALANCES	1,074,131	434,974	927,984	548,642	2,985,731
FUND BALANCES - beginning of year	4,478,428	2,083,695	2,135,138	5,990,668	14,687,929
FUND BALANCES - end of year	\$ 5,552,559	\$ 2,518,669	\$ 3,063,122	\$ 6,539,310	\$ 17,673,660

See notes to basic financial statements

CITY OF SHERWOOD
Sherwood, Oregon

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 2,985,731

Amounts reported for governmental activities in the
Statement of Activities are different because of the following:

Governmental funds report capital assets additions as expenditures while
governmental activities report depreciation expense to allocate those expenditures
over the life of the assets. The difference between these two amounts is:

Expenditures capitalized	\$ 2,363,096	
Loss on disposal of capital assets	(2,070)	
Depreciation	<u>(5,551,274)</u>	(3,190,248)

Contributions of capital assets are not recorded as revenues in the fund statements 1,205,896

Proceeds from capital leases are revenues in the governmental funds, but increase
liabilities in the Statement of Net Position (19,012)

Receivables that do not meet the measurable and available criteria are not
recognized as revenue in the current year in governmental funds. In the
Statement of Activities they are recognized as revenue when levied or earned. (52,969)

Principal payments on long-term obligations are expenditures in the governmental funds,
but reduce long-term liabilities in the Statement of Net Position.

Premium on bonds	42,356	
Principal on capital lease	20,037	
Principal on bonds and notes	<u>2,555,910</u>	2,618,303

Some expenses reported in the Statement of Activities do not require the
use of current financial resources and therefore are not reported as
expenditures in governmental funds.

Pension Expense	(728,847)	
OPEB Expense	(7,165)	
Accrued interest	24,311	
Compensated absences	<u>(32,511)</u>	<u>(744,212)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 2,803,489

CITY OF SHERWOOD
Sherwood, Oregon

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019

	Water	Sewer	Storm	Broadband	Totals
ASSETS:					
Current assets:					
Cash and investments	\$ 13,574,732	\$ 3,430,543	\$ 5,217,455	\$ 376,274	\$ 22,599,004
Receivables, net	1,209,047	340,093	226,485	27,164	1,802,789
Prepays	457	-	-	1,761	2,218
Total current assets	14,784,236	3,770,636	5,443,940	405,199	24,404,011
Noncurrent assets:					
Investment in joint ventures	624,293	-	-	-	624,293
Net other post employment benefits asset	3,809	1,632	2,508	975	8,924
Land, improvements and construction in progress	1,082,170	1,148,308	1,866,533	300,469	4,397,480
Other capital assets, net	50,028,923	12,760,320	21,346,744	719,114	84,855,101
Total noncurrent assets	51,739,195	13,910,260	23,215,785	1,020,558	89,885,798
TOTAL ASSETS	66,523,431	17,680,896	28,659,725	1,425,757	114,289,809
DEFERRED OUTFLOWS :					
Pension	262,366	112,056	180,781	58,391	613,594
Other Post Employment Benefits	3,964	1,699	2,610	1,015	9,288
TOTAL DEFERRED OUTFLOWS	266,330	113,755	183,391	59,406	622,882
LIABILITIES:					
Current liabilities:					
Accounts payable and other current liabilities	523,477	558,515	161,822	89,348	1,333,162
Payroll payable	25,919	7,901	20,656	4,998	59,474
Accrued compensated absences	19,716	8,211	12,888	3,152	43,967
Loans payable - current portion	1,075,428	-	-	-	1,075,428
Leases payable - current portion	-	-	-	51,756	51,756
Accrued interest payable	55,481	-	-	-	55,481
Total current liabilities	1,700,021	574,627	195,366	149,254	2,619,268
Long-term liabilities					
Loans payable - long-term portion	18,228,840	-	-	-	18,228,840
Leases payable - long-term portion	-	-	-	193,742	193,742
Accrued compensated absences	29,575	12,316	19,332	4,728	65,951
Net pension liability	663,086	283,203	456,894	147,573	1,550,756
Net other post employment benefits obligation	26,613	11,402	17,521	6,814	62,350
Total long-term liabilities	18,948,114	306,921	493,747	352,857	20,101,639
TOTAL LIABILITIES	20,648,135	881,548	689,113	502,111	22,720,907
DEFERRED INFLOWS:					
Pension	63,575	27,153	43,806	14,149	148,683
Other Post Employment Benefits	5,519	2,364	3,633	1,413	12,929
TOTAL DEFERRED INFLOWS	69,094	29,517	47,439	15,562	161,612
NET POSITION:					
Net investment in capital assets	32,722,634	13,908,628	23,213,277	774,085	70,618,624
Restricted for capital improvements	3,695,158	2,367,607	1,193,631	-	7,256,396
Restricted OPEB asset	3,809	1,632	2,508	975	8,924
Unrestricted	9,650,931	605,719	3,697,148	192,430	14,146,228
TOTAL NET POSITION	\$ 46,072,532	\$ 16,883,586	\$ 28,106,564	\$ 967,490	\$ 92,030,172

See notes to basic financial statements

CITY OF SHERWOOD
Sherwood, Oregon

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

	Water	Sewer	Storm	Broadband	Totals
OPERATING REVENUES:					
Charges for services	\$ 6,078,669	\$ 724,723	\$ 1,966,615	\$ 473,660	\$ 9,243,667
Intergovernmental	-	2,014	-	15,000	17,014
TOTAL OPERATING REVENUES	<u>6,078,669</u>	<u>726,737</u>	<u>1,966,615</u>	<u>488,660</u>	<u>9,260,681</u>
OPERATING EXPENSES:					
Personnel services	747,392	339,867	531,669	162,118	1,781,046
Materials and services	2,109,999	334,837	485,317	371,282	3,301,435
Depreciation	663,937	180,965	274,359	38,343	1,157,604
TOTAL OPERATING EXPENSES	<u>3,521,328</u>	<u>855,669</u>	<u>1,291,345</u>	<u>571,743</u>	<u>6,240,085</u>
OPERATING INCOME (LOSS)	<u>2,557,341</u>	<u>(128,932)</u>	<u>675,270</u>	<u>(83,083)</u>	<u>3,020,596</u>
NONOPERATING INCOME (EXPENSE):					
Interest expense	(714,781)	-	-	-	(714,781)
Interest earnings	370,734	88,141	121,801	9,385	590,061
Loss in equity in joint ventures	(7,863)	-	-	-	(7,863)
Loss on disposal of assets	(185)	-	-	-	(185)
TOTAL NONOPERATING INCOME (EXPENSE)	<u>(352,095)</u>	<u>88,141</u>	<u>121,801</u>	<u>9,385</u>	<u>(132,768)</u>
NET INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>2,205,246</u>	<u>(40,791)</u>	<u>797,071</u>	<u>(73,698)</u>	<u>2,887,828</u>
Capital Contributions - System development fees	606,364	172,729	54,303	-	833,396
Capital Contributions - Contributed assets	544,986	206,835	617,763	100,888	1,470,472
CHANGE IN NET POSITION	<u>3,356,596</u>	<u>338,773</u>	<u>1,469,137</u>	<u>27,190</u>	<u>5,191,696</u>
NET POSITION, June 30, 2018	<u>42,715,936</u>	<u>16,544,813</u>	<u>26,637,427</u>	<u>940,300</u>	<u>86,838,476</u>
NET POSITION, June 30, 2019	<u>\$ 46,072,532</u>	<u>\$ 16,883,586</u>	<u>\$ 28,106,564</u>	<u>\$ 967,490</u>	<u>\$ 92,030,172</u>

See notes to basic financial statements

CITY OF SHERWOOD
Sherwood, Oregon

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Water	Sewer	Storm	Broadband	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers	\$ 5,821,330	\$ 706,856	\$ 1,933,957	\$ 488,975	\$ 8,951,118
Payments to suppliers	(1,861,968)	(354,507)	(433,871)	(315,089)	(2,965,435)
Payments to employees	<u>(664,161)</u>	<u>(269,557)</u>	<u>(456,367)</u>	<u>(143,531)</u>	<u>(1,533,616)</u>
NET CASH FROM OPERATING ACTIVITIES	<u>3,295,201</u>	<u>82,792</u>	<u>1,043,719</u>	<u>30,355</u>	<u>4,452,067</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of capital assets	(512,198)	(181,163)	(425,384)	(87,824)	(1,206,569)
System development charges	606,364	172,729	54,303	-	833,396
Principal paid on long-term obligations	(1,034,000)	-	-	-	(1,034,000)
Interest paid on long-term obligations	<u>(724,681)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(724,681)</u>
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,664,515)</u>	<u>(8,434)</u>	<u>(371,081)</u>	<u>(87,824)</u>	<u>(2,131,854)</u>
CASH FLOWS FROM INVESTMENT ACTIVITIES					
Contributions to joint ventures	(145,464)	-	-	-	(145,464)
Interest earnings	370,734	88,141	121,801	9,385	590,061
NET CASH FROM INVESTING ACTIVITIES	<u>225,270</u>	<u>88,141</u>	<u>121,801</u>	<u>9,385</u>	<u>444,597</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,855,956	162,499	794,439	(48,084)	2,764,810
CASH AND CASH EQUIVALENTS, beginning of year	<u>11,718,776</u>	<u>3,268,044</u>	<u>4,423,016</u>	<u>424,358</u>	<u>19,834,194</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$13,574,732</u>	<u>\$3,430,543</u>	<u>\$5,217,455</u>	<u>\$ 376,274</u>	<u>\$22,599,004</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES					
Operating income (loss)	\$ 2,557,341	\$ (128,932)	\$ 675,270	\$ (83,083)	\$ 3,020,596
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	663,937	180,965	274,359	38,343	1,157,604
Pension expense	76,013	63,840	68,976	21,682	230,511
Net OPEB expense (benefit)	(3,648)	(42)	(2,702)	299	(6,093)
Decrease (increase) in assets:					
Prepays	(457)	-	-	(1,173)	(1,630)
Receivables, net	(257,340)	(19,881)	(32,659)	314	(309,566)
Increase (decrease) in liabilities:					
Accounts payable	285,819	(31,656)	(10,373)	57,366	301,156
Payroll payable	3,034	3,145	3,465	2,195	11,839
Compensated absences payable	7,832	3,366	5,563	(5,588)	11,173
Other current liabilities	<u>(37,330)</u>	<u>11,987</u>	<u>61,820</u>	<u>-</u>	<u>36,477</u>
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 3,295,201</u>	<u>\$ 82,792</u>	<u>\$1,043,719</u>	<u>\$ 30,355</u>	<u>\$ 4,452,067</u>
Summary of non-cash transactions:					
Contributions of capital assets from developers	\$ 544,986	\$ 206,835	\$ 617,763	\$ 100,888	\$ 1,470,472
Acquisition of capital asset with capital lease	-	-	-	245,498	245,498
Equity (loss) in joint venture	(7,863)	-	-	-	(7,863)

See notes to basic financial statements

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of Sherwood is a municipal corporation governed by seven-member City council. The City is managed by a City Manager who reports to the Council.

The accompanying blended financial statements present the City and its component unit. The City of Sherwood Urban Renewal Agency (URA) was formed July 1, 2001, and is a legally separate entity. The Sherwood City Council serves as the Board of Directors for the URA, and is financially accountable for its operations. The URA is included as a component unit in the basic financial statements, blended with the City. Financial statements of the City of Sherwood Urban Renewal Agency may be obtained from the agency's administrative offices at 22560 SW Pine St., Sherwood, Oregon 97140.

B. Basic financial statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Government-wide financial statements display information about the City as a whole. For the most part, the effect of interfund activity has been removed from these statements. Interfund services provided by one fund and charged to another have been eliminated in the Statement of Activities with the exception of transfers between governmental activities and business-type activities. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal year. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given department or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular department or program. Taxes and other items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. Non-major funds are combined into a single column in the basic financial statements and are detailed in the other supplementary information.

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund balance/net position, revenues and expenditures/expenses.

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic financial statements (Continued)

Professional standards set forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses, for either fund category or the governmental and proprietary combined) for the determination of major funds. The City may also elect to add major funds that City officials believe are particularly useful to financial statement users. Non-major funds are combined in a column in the fund financial statements and detailed as other supplementary information in the financial report.

Governmental Funds:

Governmental funds finance most governmental functions of the City. The acquisition, use and balances of the City's expendable financial resources and the related liabilities, excluding those accounted for in proprietary funds, are accounted for through governmental funds. The following are the City's major governmental funds:

General: The General Fund is the primary operating fund. It accounts for financial resources not accounted for in other funds. Costs incurred on behalf of other funds initially recorded in the General Fund are then subsequently reimbursed by the funds benefiting from the expenditure.

Street Operations: The Street Operations Fund records street fees, apportionment of vehicle taxes and gas tax revenue. These revenues are used to maintain the streets, sidewalks, and streetscapes.

Urban Renewal Operations: The Urban Renewal Operations Fund accounts for tax increment funds of the agency, operational costs, and debt service payments.

The City also reports non-major governmental funds within the following fund types:

Debt service: Fund type used to account for accumulations of resources that are restricted, committed, or assigned to expenditure for principal and interest.

Special revenue: Fund type used to account for financial resources that are restricted for specific purposes other than capital projects.

Capital projects: Fund type used to account for financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets.

Proprietary Funds:

Proprietary funds are used to account for the acquisition, operation and maintenance of sewer, storm drainage, water systems, and broadband services in the City. These funds are entirely or predominantly self-supported through user charges to customers. The following are the City's major proprietary funds:

CITY OF SHERWOOD, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic financial statements (Continued)

- Water Fund — The Water fund accounts for the City's water operations and capital projects.
- Sewer Fund — The Sewer fund accounts for the City's sewer operations and capital projects.
- Storm Fund — The Storm fund accounts for the City's storm drainage operations and capital projects.

The City also reports one non-major proprietary fund:

- Broadband Fund — The Broadband fund (also known as Sherwood Broadband) accounts for the City's Broadband utility.

C. Measurement focus and basis of accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded.

The government-wide and proprietary fund financial statements are presented on a full accrual basis of accounting with an economic resource measurement focus. An economic resource focus concentrates on an entity or fund's net position. All transactions and events that affect the total economic resources (net position) during the period are reported. An economic resources measurement focus is inextricably connected with full-accrual accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash inflows and outflows.

Governmental funds financial statements are presented on a modified accrual basis of accounting with a current financial resource measurement focus. This measurement focus concentrates on the fund's resources available for spending currently or in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported.

Similar to the connection between an economic resource measurement focus and full accrual accounting, a current financial resource measurement focus is inseparable from a modified accrual basis of accounting. Under modified accrual accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Property tax revenues are susceptible to accrual using the 60 day window.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Intergovernmental and interest revenue associated with the current fiscal period are all considered to be susceptible to accrual using the 60 day window and so have been recognized in the current fiscal period. All other revenues are considered to be measurable and available only when cash is received by the City.

CITY OF SHERWOOD, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement focus and basis of accounting (Continued)

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, was issued March 2012. The objective of this statement is to evaluate and reclassify various financial statement items that have been previously reported as either assets or liabilities, and evaluate them against the definitions provided for deferred outflows and deferred inflows of resources.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. With the implementation of GASB Statements No. 68 & 75, the City now presents deferred inflows from pensions and other post-employment benefits (OPEB) as deferred inflows on the statement of net position. The City also presents unavailable revenue as a deferred inflow of resources on the governmental funds balance sheet. The unavailable revenue arises in the governmental funds balance sheet when potential revenue does not meet both the measurable and available criteria for recognition in the current year. This unavailable revenue consists primarily of uncollected property taxes not deemed available to finance operation of the current period. In the government-wide Statement of Activities, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned regardless of its availability. Thus, the deferral created on the governmental fund balance sheet for unavailable revenue is eliminated.

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. With the implementation of GASB Statements No. 68 & 75, the City now presents deferred outflows from pensions and OPEB as deferred outflows on the statement of net position. The deferred outflows from pension and for OPEB are for plan contributions made subsequent to the measurement date of the liability, differences between expected and actual experience, changes in proportionate share, differences between City contributions and proportionate share of system contributions, and changes in assumptions.

Similar to the way revenues are recorded, governmental funds only record those expenditures that affect current financial resources. Principal and interest on general long-term debt is recorded as a fund liability only when due, or to the extent that it is expected to be liquidated with expendable financial resources. However, in the government-wide financial statements with full accrual basis of accounting, all expenditures affecting the economic resource status of the government must be recognized. Thus, the expense and related accrued liability for long-term portions of debt, interest, claims and judgments and compensated absences must be included.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund-based financial statements into the governmental column of the government-wide presentation. This reconciliation is part of the basic financial statements.

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement focus and basis of accounting (Continued)

Proprietary funds distinguish between operating revenues and expenses and non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's ongoing operations. The principal operating revenues are charges to customers for services, intergovernmental revenues, and infrastructure development fees charged on building permits. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and overheads, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, deferred outflow of resources, liabilities, deferred inflow of resources, and net position or fund balance

1. *Cash and investments*

The City reports cash and investments at fair value in a common pool. Interest earned on the pooled cash and investments is allocated monthly based on each fund's average cash balance as a proportion of the City's total pooled cash and investments.

2. *Receivables and payables*

Property taxes levied for the fiscal year beginning July 1 are calculated on assessed values on January 1. Property taxes become a lien on the property on July 1. The tax roll is certified and billed in October. Taxes are due in equal payments on November 15, February 15, and May 15. Discounts are allowed for taxes paid in full by November 15. Unpaid taxes are late the day after the due date, and are delinquent on May 16. Interest accrues on all late amounts. Washington County assesses, collects, and turns over property taxes for Sherwood and all other cities in the County. Property tax receivables become liens on real property if not paid. Consequently, no allowances for uncollectible accounts are provided for them.

Proprietary fund receivables are recorded as revenue when earned, including services earned but not billed. The receivables of proprietary funds include billing for residential and commercial customers utilizing the City's water, sewer and storm water management services. An allowance for uncollectible accounts has been recorded for utility fees receivable, based on management's consideration of collectability and historical trends.

Under State of Oregon statutes, municipal court receivables are valid for ten years and are then renewable for another ten years. Delinquent receivables are turned over to an external collection agency after approximately 180 days. An allowance for uncollectible accounts has been recorded for court fines receivable, based on management's consideration of collectability and historical trends.

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, deferred outflow of resources, liabilities, deferred inflow of resources, and net position or fund balance (Continued)

Accounts payable to vendors and contractors include general accounts payable, retainage payable, deposits payable and other accrued liabilities.

3. *Capital assets*

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund statements. Capital assets are defined as assets that benefit at least two fiscal periods and have a cost of at least \$5,000.

Infrastructure is defined as long-lived capital assets that can be preserved for a significantly greater number of years than most capital assets, and are normally stationary in nature. Infrastructure includes such items as water and sewer pipes, roads, and bridges.

Purchased or constructed capital assets are recorded at historical cost, or estimated historical cost if historical cost is not known. Donated capital assets are recorded at acquisition value. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position and is provided on the straight-line basis over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	20 - 100
Buildings	50 - 60
Land improvements	12 - 20
Machinery and equipment	7 - 20
Licensed vehicles	5 - 10

4. *Compensated absences*

City employees accumulate earned but unused paid time off and sick leave. There is no liability for accumulated sick leave since the City does not pay any such amounts when employees separate from service. All unused paid time off is accrued when incurred in the government-wide and enterprise financial statements. In the governmental fund financial statements, compensated absences are reported only when they become due. In general, liabilities for compensated absences are liquidated by the fund that reports the liability, and in the General Fund and Street Operations Fund with respect to governmental activities.

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, deferred outflow of resources, liabilities, deferred inflow of resources, and net position or fund balance (Continued)

5. *Long-term debt*

In the government-wide financial statements, and proprietary fund statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund in the Statement of Net Position. Bond premiums and discounts are amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while premiums and discounts on debt issuances are reported as other financing sources and uses, respectively. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. *Pensions*

For purposes 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 (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS.

7. *Postemployment benefits other than pensions*

Other Postemployment Benefits (OPEB) cost for retiree healthcare and similar, non-pension retiree benefits is required to be measured and disclosed using the accrual basis of accounting regardless of the amount recognized as OPEB expense on the modified accrual basis of accounting. Annual OPEB cost is calculated in accordance with GASB Statement No. 75.

8. *Fund balance*

In the fund financial statements, the fund balance for governmental funds is reported in a hierarchy of classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

- Fund balance is reported as non-spendable when the resources cannot be spent because they are either in a non-spendable form or legally or contractually required to be maintained intact. Resources in non-spendable form include inventories, prepaids, deposits and long-term advances.
- Fund balance is reported as restricted when the constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- Fund balance is reported as committed when the City Council passes a resolution that places specific constraints on how the resources may be used. The City Council can modify or rescind the commitment at any time through passage of an additional resolution.

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, deferred outflow of resources, liabilities, deferred inflow of resources, and net position or fund balance (Continued)

- Resources that are constrained by the City's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Assigned fund balances are designated for specific use by the City Manager, authority granted by the City Council in Financial Policy V – Revenue Constraints and Fund Balance.
- Unassigned fund balance is the residual classification for the General Fund. This classification is also used to report any deficit fund balance amounts in other governmental funds.

The City has adopted the following order of spending regarding fund balance categories within the governmental funds. Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available; the order of spending for remaining unrestricted resources is committed (if applicable), assigned (if applicable) and lastly, unassigned fund balance.

Unrestricted fund balance is the sum of committed, assigned and unassigned fund balance in any individual fund. In the General Fund, City policy calls for the maintenance of an unrestricted fund balance of at least twenty percent of fund revenue.

E. Use of estimates

In preparing the City's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

F. Budget

In accordance with Oregon budget law, the City budgets all funds, including enterprise funds, using the current financial resources measurement focus and modified accrual basis of accounting.

The budget process begins with appointment of a Budget Officer and Budget Committee. Budget recommendations are developed through late winter. The Budget Committee approves the budget in early spring; public notices are published and public hearings held; and the Council adopts the budget prior to June 30.

Expenditures are appropriated by division, program or category level, as follows:

The General Fund is split into five divisions for purposes of appropriations. The divisions are: Administration, Community Development, Public Safety, Community Services, and Public Works. Each division is further divided into departments which reflect City programs and managerial responsibilities.

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budget (Continued)

The Street Operations and the Broadband fund each have one program which is Operations while the General Construction and Street Capital funds each have one program which is Capital. The Water, Sanitary, and Storm Enterprise funds are appropriated by the operations or capital programs.

Expenditures cannot exceed appropriations at these legal levels of control. Management may amend line items in the budget without City Council approval as long as appropriations at the legal level of control are not changed. The City Council can amend the budget at the legal level of control within certain limits specified by statute. The statements and schedules in the Financial Section reflect the original and final budgets. There were two appropriation transfers approved by the Council during the year.

All appropriations lapse at fiscal year-end.

II. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

1. Pooled Deposits and Investments

The City maintains a cash and investment pool that is available for use by all funds. Governmental activities and business-type activities portions of this pool are displayed on the government-wide Statement of Net Position as "Cash and Investments". Oregon Revised Statutes (ORS) authorize the City to invest in obligations of the U.S. Treasury, U.S. government agencies and instrumentalities, bankers' acceptances guaranteed by an Oregon financial institution, repurchase agreements, State of Oregon Treasury Local Government Investment Pool, various interest bearing bonds of Oregon municipalities, certificates of deposit, and certain commercial paper among others. In addition, the City's investments are governed by a written investment policy, which is approved by the Oregon Short-Term Fund Board and adopted by the City Council. The policy specifies the City's investment objectives, required diversification, certain limitations, security safekeeping, and reporting requirements.

Cash and investments are comprised of the following at June 30, 2019:

Cash on hand	\$	2,000
Cash with fiscal agent		976
Deposits with financial institutions		402,333
Investments		40,320,932
Total cash and investments	\$	<u>40,726,241</u>

CITY OF SHERWOOD, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019**

II. DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash and investments (Continued)

1. Pooled Deposits and Investments (Continued)

The City participates in an external investment pool (State of Oregon Treasury Local Government Investment Pool). The Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The State's investment policies are governed by the ORS and the Oregon Investment Council (OIC). The State Treasurer is the investment officer for the OIC and is responsible for all funds in the State Treasury. These funds are invested exercising reasonable care, skill and caution. Investments in the Pool are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which establishes diversification percentages and specifies the types and maturities of investments. That portion of the external investment pool which belongs to local government participants is reported in an Investment Trust Fund in the State's Comprehensive Annual Financial Report. A copy of the State's Comprehensive Annual Financial Report may be obtained at the Oregon State Treasury, 350 Winter St. N.E., Salem, Oregon 97310-0840. The City's investment in the LGIP is stated at cost, which approximates fair value.

2. Deposits with Financial Institutions

The City's deposits with financial institutions are insured up to levels defined by Federal laws, the Federal Depository Insurance Corporation (FDIC) and National Credit Union Administration (NCUA). Deposits with financial institutions are comprised of time deposits and bank demand deposits totaling \$784,053. Of these time deposits and bank demand deposits, \$250,000 was covered by FDIC. For the \$534,053 deposits in excess of FDIC insurance, the ORS requires that deposit accounts in excess of the deposit insurance limits are only maintained at financial institutions included on a list of qualified depositories as determined by the Office of the State Treasurer. The City was in compliance with the ORS requirement.

3. Interest Rate Risk

To manage exposure to fair-value losses from increases in interest rates, the City's policy is to set guidelines for portfolio maturities. The greater of three months operating expenditures or at least 25% of the City's investment portfolio must mature within 90 days. Up to 35% of the portfolio may mature in under 1 year and the remainder may mature over one year but should be invested to coincide closely with the expected use of the funds. No investments may mature in over five years.

The City's fair market value of investments as of June 30, 2019 are summarized below:

Investment	Fair Value	Less than 3 Months	4-12 Months	Greater than 12 Months
Federal Agencies	\$ 1,990,411	\$ -	\$ 1,990,411	\$ -
State of Oregon Local Government Investment Pool	38,330,521	38,330,521	-	-
Total Investments	<u>\$ 40,320,932</u>	<u>\$ 38,330,521</u>	<u>\$ 1,990,411</u>	<u>\$ -</u>

CITY OF SHERWOOD, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019**

II. DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash and investments (Continued)

4. Credit Risk

The City's investment policy limits the type of investments to no more than 10% in corporate bonds, and municipal obligations, 15% in corporate commercial paper, 25% in corporate bonds, and 50% in bank time deposits/savings accounts, and certificates of deposit. There are no portfolio limits to United States treasury obligations, and United States government agency securities. As of June 30, 2019, the Oregon Short-Term Fund (LGIP) is limited to \$49,500,000 per Oregon Revised Statute 294.810.

The minimum allowable credit rating criteria the City's investment policy authorizes for issuers of commercial paper is limited to those rated A1/P1 or better by Standard & Poor's (S&P) and Moody's Investors Service. Corporate indebtedness must have a minimum long term debt rating of AA- by S&P or a Aa3 rating by Moody's Investors Service. Municipal obligations must have a minimum long-term rating of AA by S&P or Aa3 by Moody's. The Oregon Short-Term Fund is not rated. As of June 30, 2019, the City's investments in United States, government agency securities were rated AA+ by S&P or not eligible for rating. All investments are in compliance with the City's investment policy.

5. Concentration of Credit Risk

Issuer	Fair Value	Percent of Holdings	Maximum Allowable % Holdings
RFCSP	\$ 990,543	2.46%	100%
FHLB	999,868	2.48%	100%
Oregon Short-Term Fund (LGIP)	38,330,521	95.06%	*
Total of Investments	<u>\$ 40,320,932</u>	<u>100.00%</u>	

* Maximum allowed per ORS 294.810

6. Fair Value Measurement

The City categorizes its investments in the fair value hierarchy established by generally accepted accounted principles. These principles recognize a three-tiered fair value hierarchy as follows:

- Level 1: Investments reflect prices quoted in active markets;
- Level 2: Investments reflect observable inputs including, but not limited to, quoted prices for similar assets in markets that are active, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the assets (such as exchange rates, financing terms, interest rates, yield curves, volatilities, loss severities, credit risk and default rates) or other market-corroborated inputs; and,
- Level 3: Investments reflect prices based upon unobservable sources.

The City reports investments at fair market value. U.S. agency obligations are Level 1 investments. Investments in LGIP are not subject to level designation.

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019

II. DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

Receivables as of June 30, 2019, net of allowance for uncollectible amounts, are as follows:

	Governmental Funds	Proprietary Funds	Total
Receivables:			
Property taxes	\$ 187,382	\$ -	\$ 187,382
Court Fines	1,953,772	-	1,953,772
State Revenue	613,386	-	613,386
Misc. IG	1,581	342	1,923
4th Qtr. Franchise Fees	286,116	-	286,116
Sports League Fees	122,548	-	122,548
Building Rent	36,682	2,864	39,546
Cell Tower Lease	2,369	-	2,369
Metro Q4 Comm Enhance Grant	23,742	-	23,742
Metro Contractors Bus Lic Prog	5,474	-	5,474
CDBG Federal Grant	26,466	-	26,466
Miscellaneous	15,001	-	15,001
Utility Bills	79,199	1,563,069	1,642,268
Utility Bills for CWS	-	287,807	287,807
Sherwood Broadband	-	27,164	27,164
Gross Receivables	<u>3,353,718</u>	<u>1,881,246</u>	<u>5,234,965</u>
Less: allowance for uncollectable			
Court	(1,576,923)	-	(1,576,923)
Utility Bills	(7,012)	(78,457)	(85,469)
Net Receivables	<u>\$ 1,769,783</u>	<u>\$ 1,802,789</u>	<u>\$ 3,572,572</u>

CITY OF SHERWOOD, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019**

II. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital assets

Capital assets for governmental activities for the year ended June 30, 2019 are as follows:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 12,526,468	\$ -	\$ -	\$ 12,526,468
Intangibles (easements)	5,853,315	476,299	-	6,329,614
Construction work in progress	916,273	1,936,080	(981,864)	1,870,489
Total capital assets not being depreciated	<u>19,296,056</u>	<u>2,412,379</u>	<u>(981,864)</u>	<u>20,726,571</u>
Capital assets being depreciated:				
Infrastructure	75,935,345	949,007	-	76,884,353
Buildings and improvements	46,837,570	772,455	-	47,610,026
Machinery and equipment	2,024,124	143,894	(52,600)	2,115,419
Licensed vehicles	1,534,031	273,121	(75,878)	1,731,275
Total capital assets being depreciated	<u>126,331,071</u>	<u>2,138,477</u>	<u>(128,478)</u>	<u>128,341,073</u>
Less accumulated depreciation:				
Infrastructure	47,207,090	3,429,523	-	50,636,613
Buildings and improvements	19,970,893	1,870,159	-	21,841,051
Machinery and equipment	1,328,945	153,327	(50,530)	1,431,742
Licensed vehicles	1,145,129	98,265	(75,878)	1,167,517
Total accumulated depreciation	<u>69,652,057</u>	<u>5,551,274</u>	<u>(126,408)</u>	<u>75,076,923</u>
Total capital assets being depreciated, net	<u>56,679,013</u>	<u>(3,412,797)</u>	<u>(2,070)</u>	<u>53,264,150</u>
Governmental activities capital assets, net	<u>\$ 75,975,069</u>	<u>\$ (1,000,418)</u>	<u>\$ (983,934)</u>	<u>\$ 73,990,721</u>
Governmental activities:				
Administration		\$ 95,548		
Public safety		25,375		
Community services		345,498		
Public works		<u>5,084,853</u>		
Total depreciation expense - governmental activities		<u>\$ 5,551,274</u>		

CITY OF SHERWOOD, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019**

II. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital assets (Continued)

Capital assets for business-type activities for the year ended June 30, 2019 are as follows:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Business-Type activities				
Capital assets not being depreciated:				
Land	\$ 224,945	\$ -	\$ -	\$ 224,945
Intangibles (easements)	2,869,173	82,008	-	2,951,181
Construction work in progress	124,579	1,409,734	(312,959)	1,221,354
Total capital assets not being depreciated	3,218,697	1,491,742	(312,959)	4,397,480
Capital assets being depreciated:				
Infrastructure	97,588,067	1,701,423	-	99,289,490
Buildings and improvements	11,322	-	-	11,322
Machinery and equipment	1,626,907	42,331	(43,710)	1,625,528
Licensed vehicles	577,229	-	-	577,229
Total capital assets being depreciated	99,803,526	1,743,754	(43,710)	101,503,569
Less accumulated depreciation:				
Infrastructure	13,674,684	1,079,446	-	14,754,130
Buildings and improvements	4,475	453	-	4,928
Machinery and equipment	1,457,383	36,706	(43,524)	1,450,565
Licensed vehicles	397,846	40,999	-	438,845
Total accumulated depreciation	15,534,390	1,157,604	(43,524)	16,648,468
Total capital assets being depreciated, net	84,269,135	586,150	(185)	84,855,101
Business-Type activities capital assets, net	\$ 87,487,832	\$ 2,077,892	\$ (313,144)	\$ 89,252,581
Business-Type activities:				
Water		\$ 663,937		
Sanitary		180,965		
Storm		274,359		
Broadband		38,343		
Total depreciation expense - business-type activities		\$ 1,157,604		

CITY OF SHERWOOD, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019**

II. DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital leases

In 2019, the City entered into a financing lease for the acquisition of office equipment valued at \$19,012 and Broadband equipment valued at \$245,498. The total of all equipment leased at June 30, 2019 was \$342,837. The equipment has between 4 and 5 year estimated useful lives. This year, \$22,554 was included in depreciation expense. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019, were as follows:

Year ending June 30	Governmental Activities	Business- Type Activities
2020	\$ 23,692	\$ 55,000
2021	15,443	55,000
2022	5,637	55,000
2023	1,760	55,000
2024	-	55,000
Total minimum lease payments	46,532	275,000
Less: amount representing interest	(5,053)	(29,502)
Present value of minimum lease payments	<u>\$ 41,479</u>	<u>\$ 245,498</u>

E. Accounts payable and other current liabilities

Accounts payable and other current liabilities as of June 30, 2019, are as follows:

	Governmental Activities	Proprietary Activities	Total
Vendor accounts payable	\$ 1,475,087	\$ 951,627	\$ 2,426,714
Customer deposits	150,220	82,655	232,875
Clean Water Services fees	-	275,160	275,160
Other current liabilities	123,161	23,720	146,881
Total accounts payable and other current liabilities	<u>\$ 1,748,468</u>	<u>\$ 1,333,162</u>	<u>\$ 3,081,630</u>

CITY OF SHERWOOD, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019**

II. DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term liabilities

1. Long-term debt and other debt

Governmental Activities

Direct Borrowings and Placements

Downtown Cannery and Street Projects: In fiscal year 2010-2011, the City entered into a financing agreement in the amount of \$7,065,000 at 4.65 percent interest rate. The loan is for urban renewal projects within the City Urban Renewal Agency (URA) boundaries which the agency pledges the tax increment revenues to pay the financing payments or debt service. The outstanding loan carries an Event of Default clause which allows the lender to exercise any remedy available at law or in equity with the exception of acceleration. As of June 30, 2019, the balance outstanding on the bank loan was \$4,680,000. Future principal and interest payments on the loan are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 335,000	\$ 220,680	\$ 555,680
2021	350,000	203,595	553,595
2022	370,000	185,768	555,768
2023	385,000	168,563	553,563
2024	400,000	150,660	550,660
2025-2029	2,310,000	455,468	2,765,468
2030	530,000	24,645	554,645
	<u>\$ 4,680,000</u>	<u>\$ 1,409,379</u>	<u>\$ 6,089,379</u>

Downtown Cannery Project: In fiscal year 2010-2011, the City entered into a financing agreement with the State of Oregon to receive a loan in the amount of \$8,500,000 at 2.0 percent interest from the Oregon Infrastructure Finance Authority. The loan is for urban renewal projects within the City URA which the agency pledges the tax increment revenues to pay the financing payments or debt service. The outstanding loan carries an Event of Default clause which allows the lender to exercise any remedy available at law or in equity, including acceleration. As of June 30, 2019, the balance outstanding on the bank loan was \$2,429,861. Future principal and interest payments on the loan are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 1,202,901	\$ 48,597	\$ 1,251,498
2021	1,226,960	24,539	1,251,499
	<u>\$ 2,429,861</u>	<u>\$ 73,136</u>	<u>\$ 2,502,997</u>

CITY OF SHERWOOD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019

II. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-term liabilities (Continued)

1. Long-term debt and other debt (continued)

Downtown Street Improvements: In fiscal year 2006-2007, the City entered into a financing agreement with the State of Oregon to receive an Oregon Economic and Community Development Loan in the amount of \$6,400,000 at interest rates between 3.60 percent and 4.45 percent. The loan is for urban renewal projects within the City URA. In connection with the financing agreement, the URA and City executed an intergovernmental agreement (IGA) for the URA to be obligated for the financing payments on the loan. The IGA constitutes indebtedness of the agency in the amount of the financing or \$6,400,000. Pursuant to ORS 287A.310, the agency pledges the tax increment revenues to pay the financing payments or debt service. The outstanding loan carries an Event of Default clause which allows the lender to exercise any remedy available at law or in equity, with the exception of acceleration. At June 30, 2019 the outstanding balance on the loan was \$3,211,794. Future principal and interest payments on the loan are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 343,859	\$ 137,760	\$ 481,619
2021	361,287	123,576	484,863
2022	373,861	108,402	482,263
2023	391,575	92,513	484,088
2024	409,405	75,871	485,276
2025-2027	1,331,807	118,348	1,450,155
	<u>\$ 3,211,794</u>	<u>\$ 656,470</u>	<u>\$ 3,868,264</u>

Other Debt

Refinancing Bonds: In fiscal year 2010-2011, the City issued \$2,305,000 of General Obligation Refunding Bonds. The bonds issued were to refinance an existing 2001 bond to build the police station. The outstanding loan carries an Event of Default clause which allows the lender to exercise any remedy available at law or in equity, with the exception of acceleration. Interest rates range from 2.0 percent to 4.0 percent, depending upon maturity. At June 30, 2019 the outstanding balance on the bonds were \$520,000 and the balance of the unamortized premium was \$22,328. Future principal and interest payments on the bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 255,000	\$ 15,700	\$ 270,700
2021	265,000	5,300	270,300
	520,000	<u>\$ 21,000</u>	<u>\$ 541,000</u>
Premium	22,328		
	<u>\$ 542,328</u>		

CITY OF SHERWOOD, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019**

II. DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term liabilities (Continued)

1. Long-term debt and other debt (continued)

Civic Building and Street Refunding Bonds: In fiscal year 2012-2013, the City issued \$5,245,000 of Full Faith and Credit Refunding Obligations. The bonds issued were to refinance existing debt to construct a civic building and improve city streets. The loan is for urban renewal projects within the City URA which the agency pledges the tax increment revenues to pay the financing payments or debt service. The outstanding loan carries an Event of Default clause which allows the lender to exercise any remedy available at law or in equity, with the exception of acceleration. Interest rates on the bonds range between 2.15 percent and 3.0 percent. At June 30, 2019, the outstanding balance on the bonds were \$2,175,000 and the balance of the unamortized premium was \$155,957. Future principal and interest payments on the bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 495,000	\$ 54,456	\$ 549,456
2021	515,000	39,306	554,306
2022	405,000	25,506	430,506
2023	375,000	13,806	388,806
2024	385,000	4,091	389,091
	<u>2,175,000</u>	<u>\$ 137,165</u>	<u>\$ 2,312,165</u>
Premium	155,957		
	<u>\$ 2,330,957</u>		

Business-Type Activities

Direct Borrowings and Placements

Full Faith and Credit Obligations

Refinancing Bonds: In fiscal year 2016-2017, the city issued \$9,189,000 of Full Faith and Credit Obligations. The bonds issued were to refinance two State of Oregon loans for interest rate savings. The original bonds were issued to increase and improve the City water supply system. The outstanding loan carries an Event of Default clause which allows the lender to exercise any remedy available at law or in equity, with the exception of acceleration. Interest rates on the bonds are set at 2.29 percent. At June 30, 2019, the outstanding balance on the bonds were \$7,888,000. Future principal and interest payments on the bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 608,000	\$ 173,674	\$ 781,674
2021	622,000	159,590	781,590
2022	636,000	145,186	781,186
2023	651,000	130,449	781,449
2024	666,000	115,370	781,370
2025-2029	3,566,000	338,279	3,904,279
2030-2031	1,139,000	21,675	1,160,675
	<u>\$ 7,888,000</u>	<u>\$ 1,084,223</u>	<u>\$ 8,972,223</u>

CITY OF SHERWOOD, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019**

II. DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term liabilities (Continued)

1. Long-term debt and other debt (continued)

Business-Type Activities (continued)

Direct Borrowings and Placements (continued)

Other Debt

Refinancing Bonds: In fiscal year 2010-2011, the city issued \$14,165,000 of Full Faith and Credit Obligations. The bonds issued were to refinance an existing \$4,000,000 bond to increase capacity in the water supply system and to initiate a line of credit for continued water system expansion. The outstanding loan carries an Event of Default clause which allows the lender to exercise any remedy available at law or in equity, with the exception of acceleration. Interest rates on the bonds range between 2.0 percent to 5.0 percent. At June 30, 2019, the outstanding balance on the bonds were \$11,290,000 and the balance of the unamortized premium was \$126,268. Future principal and interest payments on the bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 460,000	\$ 519,569	\$ 979,569
2021	480,000	501,169	981,169
2022	500,000	481,969	981,969
2023	525,000	456,969	981,969
2024	550,000	430,719	980,719
2025-2029	3,100,000	1,797,844	4,897,844
2030-2034	3,850,000	1,042,736	4,892,736
2035-2036	1,825,000	138,000	1,963,000
	11,290,000	\$ 5,368,975	\$ 16,658,975
Premium	126,268		
	\$ 11,416,268		

CITY OF SHERWOOD, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019**

II. DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term liabilities (Continued)

1. Long-term debt and other debt (continued)

Long-term debt activity, including compensated absences, for the year ended June 30, 2019 was as follows:

	<u>Balance</u>			<u>Balances</u>	<u>Due within</u>
	<u>June 30, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2019</u>	<u>one year</u>
Governmental activities					
Direct borrowings and placements					
Bank loan	\$ 4,995,000	\$ -	\$ 315,000	\$ 4,680,000	\$ 335,000
State of Oregon loans	7,152,565	-	1,510,910	5,641,655	1,546,760
Total direct borrowings and placements	<u>12,147,565</u>	<u>-</u>	<u>1,825,910</u>	<u>10,321,655</u>	<u>1,881,760</u>
Other debt					
Bonds payable	<u>3,425,000</u>	<u>-</u>	<u>730,000</u>	<u>2,695,000</u>	<u>750,000</u>
Total governmental debt	15,572,565	-	2,555,910	13,016,655	2,631,760
Premium on bonds	220,641	-	42,356	178,285	42,356
Other long-term liabilities					
Capital Leases	42,504	19,012	20,037	41,479	20,955
Compensated absences	529,914	41,202	8,692	562,424	224,970
Total other long-term liabilities	<u>572,418</u>	<u>60,214</u>	<u>28,729</u>	<u>603,903</u>	<u>245,925</u>
Governmental Activities	<u>\$ 16,365,624</u>	<u>\$ 60,214</u>	<u>\$ 2,626,995</u>	<u>\$ 13,798,843</u>	<u>\$ 2,920,041</u>
Business-type activities					
Direct borrowings and placements					
Full Faith and Credit Bonds Payable	\$ 8,482,000	\$ -	\$ 594,000	\$ 7,888,000	\$ 608,000
Full Faith and Credit Bonds Payable	11,730,000	-	440,000	\$ 11,290,000	460,000
Total business-type debt	20,212,000	-	1,034,000	19,178,000	1,068,000
Premium on bonds	133,696	-	7,428	126,268	7,428
Other long-term liabilities					
Capital Leases	-	245,498	-	245,498	51,756
Compensated absences	98,747	16,760	5,589	109,918	43,967
Total other long-term liabilities	<u>98,747</u>	<u>262,258</u>	<u>5,589</u>	<u>355,416</u>	<u>95,723</u>
Business-type activities	<u>\$ 20,444,443</u>	<u>\$ 262,258</u>	<u>\$ 1,047,017</u>	<u>\$ 19,659,684</u>	<u>\$ 1,171,151</u>

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019

II. DETAILED NOTES ON ALL FUNDS (Continued)

G. Transfers

Transfers were used to move funds from the Street Capital Fund to the General Construction Fund to finance trail and parks improvements.

Transfers Out:	Transfers In:	
Fund	General Construction Fund	Total
Street Capital Fund	\$ 103,916	\$ 103,916
Total	\$ 103,916	\$ 103,916

III. OTHER INFORMATION

A. Risk management

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omission, injuries to employees, and natural disasters. The City purchases liability, property, and auto insurance from City/County Insurance Services (CIS) to minimize its financial exposure to these risks. In addition, the City purchases workers compensation insurance from SAIF. Settled claims have not exceeded any coverage for any of the past three years and there are no current claims that would exceed coverage limits.

B. Pension plan

1. Plan Description

Substantially all City employees are members in the Oregon Public Employees Retirement System (PERS); a cost-sharing multiple-employer defined benefit pension plan that acts as a common investment and administrative agent for government units in the State of Oregon. Employees hired before August 29, 2003 belong to the Tier One/Tier Two Retirement Benefit Program (established pursuant to ORS Chapter 238), while employees hired on or after August 29, 2003 belong to the OPSRP Pension Program (established pursuant to ORS Chapter 238A). PERS produces an independently audited CAFR which can be found at:
<http://www.oregon.gov/pers/pages/financials/actuarial-financial-information.aspx>

2. Benefits Provided

A. Tier One/Tier Two Retirement Benefit ORS Chapter 238

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2019

III. OTHER INFORMATION (Continued)

B. Pension plan (Continued)

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 percent for police and fire employees, 1.67 percent 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 minimum retirement age for a service retirement allowance if he or she has had a 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:

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

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 (including PERS judge members) for disability benefits 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.

CITY OF SHERWOOD, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019**

III. OTHER INFORMATION (Continued)

B. Pension plan (Continued)

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 market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA for creditable service earned before October 2013 is 2.00%. The COLA for creditable service earned after October 2013 is calculated as 1.25% on the first \$60,000 of annual benefit and 0.15% on amounts above \$60,000 of annual benefit.

B. OPSRP Pension Program (OPSRP DB)

Pension Benefits

The Pension Program (ORS Chapter 238A) 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 by formula for members who attain normal retirement age.

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.

CITY OF SHERWOOD, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019**

III. OTHER INFORMATION (Continued)

B. Pension plan (Continued)

Benefit Changes After Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA for creditable service earned before October 2013 is 2.00%. The COLA for creditable service earned after October 2013 is calculated as 1.25% on the first \$60,000 of annual benefit and 0.15% on amounts above \$60,000 of annual benefit.

C. OPSRP Individual Account Program (OPSRP IAP)

Pension Benefits

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 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.

Upon retirement, a member of the OPSRP Individual Account Program (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 a 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.

Recordkeeping

PERS contracts with VOYA Financial to maintain IAP participant records.

3. Contributions

PERS 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. Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation as subsequently modified by 2015 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2017. Employer contributions for the year ended June 30, 2019 were \$1,265,497, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2019 were 21.26 percent for Tier One/Tier Two General Service Member and Police and Fire, 13.34 percent for OPSRP Pension Program General Service Members, and 18.11 percent for OPSRP Pension Program Police and Fire Members.

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019

III. OTHER INFORMATION (Continued)

B. Pension plan (Continued)

Covered employees are required to contribute 6% of their salary to the Plan, but the employer is allowed to pay any or all of the employees' contribution in addition to the required employers' contribution. The City has elected to contribute the 6% "pick-up" or \$451,657 of the employees' contribution.

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

At June 30, 2019, the City reported a liability of \$12,015,387 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016 rolled forward to June 30, 2018. 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 entities, actuarially determined. As of the measurement date of June 30, 2018, the City's proportion was 0.0793 percent, which is an decrease from its proportion of 0.0833 percent measured as of June 30, 2017.

The Oregon Supreme Court (Court) ruled on April 30, 2015 that certain provisions of Senate Bill (SB) 861, signed into law in October 2013, were unconstitutional. SB 861 included provisions that limited post-retirement COLA on benefits accrued prior to the signing of the law. The Court ruled that benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. PERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire. This change in benefit items was reflected in the current valuation.

CITY OF SHERWOOD, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019**

III. OTHER INFORMATION (Continued)

B. Pension plan (Continued)

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

For the year ended June 30, 2019, the City's recognized pension expense of \$2,219,466. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflow/(Inflow) of Resources
Differences between expected and actual experience	\$ 408,728	\$ -	\$ 408,728
Changes in assumptions	2,793,555	-	2,793,555
Net difference between projected and actual earnings on investments	-	533,552	(533,552)
Changes in proportionate share	83,467	553,412	(469,945)
Differences between employer contributions and employer's proportionate share of system contributions	202,942	65,027	137,915
Total (prior to post-measurement date contributions)	<u>3,488,692</u>	<u>1,151,991</u>	<u>2,336,701</u>
City contributions subsequent to the measurement date	1,265,497	-	1,265,497
Total	<u>\$ 4,754,187</u>	<u>\$ 1,151,991</u>	<u>\$ 3,602,198</u>

\$1,265,497 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2020	\$ 1,392,224
2021	955,101
2022	(166,825)
2023	97,889
2024	58,312
	<u>\$ 2,336,701</u>

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019

III. OTHER INFORMATION (Continued)

B. Pension plan (Continued)

5. Actuarial Assumptions

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial methods and assumptions:

Valuation Date	12/31/2016
Measurement Date	06/30/2018
Experience Study	2016, published July 26, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.50%
Expected investment Rate of Return	7.20%
Discount Rate	7.20%
Projected Salary Increases	3.50%
Cost of Living Adjustment	Blend of 2.0% COLA and graded COLA (1.25%/0.15%) in accordance with the <i>Moro</i> decision, blend based on service.
Mortality	Healthy retirees and beneficiaries: RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. Active members: RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. Disabled retirees: RP—2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.

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 2016 Experience Study which reviewed experience for the four-year period ending on December 31, 2016.

CITY OF SHERWOOD, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019**

III. OTHER INFORMATION (Continued)

B. Pension plan (Continued)

6. Long-term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed 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 is 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.

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	8.00 %	3.49 %
Short-Term Bonds	8.00	3.38
Bank/Leveraged Loans	3.00	5.09
High Yield Bonds	1.00	6.45
Large/Mid Cap US Equities	15.75	6.30
Small Cap US Equities	1.31	6.69
Micro Cap US Equities	1.31	6.80
Developed Foreign Equities	13.13	6.71
Emerging Market Equities	4.13	7.45
Non-US Small Cap Equities	1.88	7.01
Private Equity	17.50	7.82
Real Estate (Property)	10.00	5.51
Real Estate (REITS)	2.50	6.37
Hedge Fund of Funds – Diversified	2.50	4.09
Hedge Fund – Event-driven	0.63	5.86
Timber	1.88	5.62
Farmland	1.88	6.15
Infrastructure	3.75	6.60
Commodities	1.88	3.84
Total	100 %	
Assumed Inflation – Mean		2.50 %

CITY OF SHERWOOD, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019**

III. OTHER INFORMATION (Continued)

B. Pension plan (Continued)

7. Discount Rate

The discount rate used to measure the total pension liability was 7.2 percent 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 of the 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.

8. 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 (asset) calculated using the discount rate of 7.2 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.2 percent) or 1-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.2%)	Discount Rate (7.2%)	1% Increase (8.2%)
City's proportionate share of the net pension liability (asset)	\$ 20,079,984	\$ 12,015,387	\$ 5,358,725

9. Pension Plan Fiduciary Net Position

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

10. Changes in Plan Provisions Subsequent to Measurement Date

On June 11, 2019, Senate Bill 1049 was enacted by the People of the State of Oregon. The elements of the bill include policy and program changes which will affect the City's pension plan. One key change is a onetime 22-year re-amortization of the unamortized actuarial liability for Tier 1 and Tier 2 employees and contribution rate adjustments. In August 2019, a petition was filed with the Oregon Supreme Court challenging the constitutionality of certain portions of SB 1049. The City cannot predict whether the petitioners will be successful in whole or in part nor what the impact of a successful challenge may be. Further, the City cannot predict whether SB 1049 will be subject to additional legal challenges that could affect some or all of its provisions.

C. Postemployment Benefits Other than Pensions

The other postemployment benefits (OPEB) for the City combines 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 SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019

III. OTHER INFORMATION (Continued)

C. Postemployment Benefits Other than Pensions (Continued)

1. Financial Statement Presentation

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

	Implicit Rate Subsidy Plan	PERS RHIA Plan	Total OPEB Reported
Net OPEB asset	\$ -	\$ 75,206	\$ 75,206
Deferred outflows of resources:			
Contributions after the measurement date	10,784	34,219	45,003
Difference in experience	33,273	-	33,273
Total deferred outflows of resources	44,057	34,219	78,276
Total OPEB Liability	(525,465)	-	(525,465)
Deferred inflows of resources:			
Change in proportionate share	-	(674)	(674)
Change in assumptions	(87,583)	(239)	(87,822)
Net investment differences	-	(16,214)	(16,214)
Difference in experience	-	(4,262)	(4,262)
Total deferred inflows of resources	\$ (87,583)	\$ (21,389)	\$ (108,971)
OPEB expense (benefit)	53,235	(7,440)	45,795
(Included in program expenses on Statement of Activities)			

2. Net OPEB Asset, Total OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The City's net OPEB asset of \$75,206 and total OPEB liability of \$525,465 were measured as of June 30, 2018.

For the fiscal year ended June 30, 2019, the City recognized a net OPEB expense from this plan of \$45,795. At June 30, 2019, 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
Change in proportionate share	\$ -	\$ 674
Changes of assumptions, or inputs	-	87,822
Net investment differences	-	16,214
Difference in experience	33,273	4,262
Contributions subsequent to measurement date	45,003	-
Total	\$ 78,276	\$ 108,971

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019

III. OTHER INFORMATION (Continued)

C. Postemployment Benefits Other than Pensions (Continued)

2. Net OPEB Asset, Total OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Deferred outflows of resources related to OPEB of \$45,003 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 ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended		
June 30:		
2020	\$	(13,956)
2021		(13,854)
2022		(12,219)
2023		(8,363)
2024		(6,751)
Thereafter		<u>(20,555)</u>
Total	\$	<u><u>(75,698)</u></u>

Implicit Rate Subsidy

1. Plan Description

The City's single-employer defined benefit postemployment healthcare plan is administered by City/County Insurance Services (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.

2. 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, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	0
Eligible Retirees	2
Active employees	<u>99</u>
	<u><u>101</u></u>

CITY OF SHERWOOD, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019**

III. OTHER INFORMATION (Continued)

C. Postemployment Benefits Other than Pensions (Continued)

Implicit Rate Subsidy (continued)

3. Total OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources:

For the fiscal year ended June 30, 2019, the City recognized OPEB expense from this plan of \$55,235. At June 30, 2019, 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
Changes in assumptions	\$ -	\$ 87,583
Difference in experience	33,273	-
Contributions subsequent to measurement date	10,784	-
Total	\$ 44,057	\$ 87,583

Deferred outflows of resources related to OPEB of \$10,784 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 ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follow:

Year Ended	
June 30:	
2020	\$ (6,751)
2021	(6,751)
2022	(6,751)
2023	(6,751)
2024	(6,751)
Thereafter	(20,555)
Total	\$ (54,310)

CITY OF SHERWOOD, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019**

III. OTHER INFORMATION (Continued)

C. Postemployment Benefits Other than Pensions (Continued)

Implicit Rate Subsidy (continued)

4. Actuarial Assumptions and Other Inputs

The Implicit Subsidy OPEB liability in the July 1, 2018 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	2.5 percent
Salary increases	3.5 percent
Healthy mortality	RP-2014 Healthy Annuitant, sex distinct mortality tables blended 50/50 blue collar and white collar, set back one year for males. Mortality is projected on a generational basis using the Unisex Social Security Data Scale
Discount rate	3.87 percent (change from 2.85 percent in previous measurement period)
Healthcare cost trend rate	Medical and vision: 7.00 percent per year, decreasing to 4.75 percent. Dental: 4.5 percent per year

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

5. Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance as of June 30, 2018	\$ 497,476
Changes for the year:	
Service cost	40,813
Interest on total OPEB liability	19,173
Economic/demographic gains (losses)	37,097
Effect of assumptions, changes or inputs	(63,606)
Benefit payments	(5,489)
Balance as of June 30, 2019	<u>\$ 525,465</u>

Changes in assumptions is the result of the change in the discount rate from 2.85 to 3.87.

CITY OF SHERWOOD, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019**

III. OTHER INFORMATION (Continued)

C. Postemployment Benefits Other than Pensions (Continued)

Implicit Rate Subsidy (continued)

6. 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 (2.87 percent) or 1-percentage-point higher (4.87 percent) than the current discount rate. A similar sensitivity analysis is then presented for changes in the healthcare trend assumption.

Discount Rate:	<u>1% Decrease (2.87%)</u>	<u>Current Discount Rate (3.87%)</u>	<u>1% Increase (4.87%)</u>
Total OPEB Liability	\$ 579,833	\$ 525,465	\$ 475,588
 Healthcare Cost Trend:	<u>1% Decrease</u>	<u>Current Healthcare Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 456,129	\$ 525,465	\$ 607,536

PERS Retirement Health Insurance Account

1. Plan Description

The City contributes to the PERS Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by PERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums for eligible retirees. 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 hired after August 29, 2003. PERS issues publicly available financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700, or online at

<https://www.oregon.gov/pers/pages/financials/actuarial-financial-information.aspx>

CITY OF SHERWOOD, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019**

III. OTHER INFORMATION (Continued)

C. Postemployment Benefits Other than Pensions (Continued)

PERS Retirement Health Insurance Account (Continued)

2. Benefits Provided

Because 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 cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the RHIA 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 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 of 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.

3. 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, 2016 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2018. The City's contribution rates for the period were 0.50% for Tier One/Tier Two members, and 0.43% for OPSRP members. The City's total for the year ended June 30, 2019 contributions was \$34,219.

4. OPEB Assets, Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the City reported an asset of \$75,206 for its proportionate share of the OPERS net OPEB asset. The net OPEB asset was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2016 rolled forward to June 30, 2018. 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, 2019, the City's proportionate share was 0.0674%, which is an increase from its proportion of 0.0667% as of June 30, 2018.

CITY OF SHERWOOD, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019**

III. OTHER INFORMATION (Continued)

C. Postemployment Benefits Other than Pensions (Continued)

PERS Retirement Health Insurance Account (Continued)

4. OPEB Assets, Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

For the year ended June 30, 2019, the City recognized OPEB benefit from this plan of \$7,440. At June 30, 2019, 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
Change in proportionate share	\$ -	\$ 674
Changes of assumptions, or inputs	-	239
Net investment differences	-	16,214
Difference in earnings	-	4,262
Contributions subsequent to measurement date	34,219	-
Total	\$ 34,219	\$ 21,389

Deferred outflows of resources related to OPEB of \$34,219 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:			
2020	\$	(7,205)	
2021		(7,103)	
2022		(5,468)	
2023		(1,613)	
Total	\$	(21,389)	

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019

III. OTHER INFORMATION (Continued)

C. Postemployment Benefits Other than Pensions (Continued)

5. Actuarial Methods and Assumptions

The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial methods and assumptions:

Actuarial cost method	Entry age normal
Amortization method	Amortized as a level percentage of payroll as layered basis over a closed 10 year period
Asset valuation method	Market value of assets
Inflation	2.5 percent
Investment rate of return	7.2 percent
Salary increases	3.5 percent
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per Scale BB, disabled mortality table.

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 2016 experience study which reviewed experience for the four-year period ending on December 31, 2016.

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019

III. OTHER INFORMATION (Continued)

C. Postemployment Benefits Other than Pensions (Continued)

6. Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed 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.

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	8.00%	3.49%
Short-Term Bonds	8.00	3.38
Bank/Leveraged Loans	3.00	5.09
High Yield Bonds	1.00	6.45
Large/Mid Cap US Equities	15.75	6.30
Small Cap US Equities	1.31	6.69
Micro Cap US Equities	1.31	6.80
Developed Foreign Equities	13.13	6.71
Emerging Market Equities	4.13	7.45
Non-US Small Cap Equities	1.88	7.01
Private Equity	17.50	7.82
Real Estate (Property)	10.00	5.51
Real Estate (REITS)	2.50	6.37
Hedge Fund of Funds – Diversified	2.50	4.09
Hedge Fund – Event-driven	0.63	5.86
Timber	1.88	5.62
Farmland	1.88	6.15
Infrastructure	3.75	6.60
Commodities	1.88	3.84
	<u>100%</u>	
Assumed Inflation – Mean		2.5

CITY OF SHERWOOD, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019**

III. OTHER INFORMATION (Continued)

C. Postemployment Benefits Other than Pensions (Continued)

7. Discount Rate

The discount rate used to measure the total OPEB liability was 7.2% for the RHIA 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 RHIA 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 RHIA Plan was applied to all periods of projected benefit payments to determine the total OPEB liability.

8. Sensitivity of the City's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the City's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 7.20%, as well as what the City's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20%) or 1-percentage-point higher (8.20%) than the current rate:

	1% Decrease (6.2%)	Current Discount Rate (7.2%)	1% Increase (8.2%)
Discount Rate:			
Total OPEB Liability (Asset)	\$ (43,788)	\$ (75,206)	\$ (101,948)

9. OPEB Plan Fiduciary Net Position

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

D. Investment in Joint Ventures

The City has ownership positions in two joint ventures with surrounding governmental organizations. The first is the Willamette Intake Facility (WIF), for treatment and distribution of water. The second is the Willamette River Water Coalition (WRWC), to coordinate water rights on the Willamette River.

The WIF is a joint venture of the City and the Tualatin Valley Water District and the cities of Wilsonville, Tigard, Hillsboro and Beaverton. The financial statements may be obtained from Tualatin Valley Water District, Finance Department, 1850 SW 170th Avenue, Beaverton, OR 97003.

CITY OF SHERWOOD, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019**

III. OTHER INFORMATION (Continued)

D. Investment in Joint Ventures (Continued)

The WRWC is a joint venture of the City and the Tualatin Valley Water District and the cities of Tigard, and Tualatin. The financial statements may be obtained from Tualatin Valley Water District, Finance Department, 1850 SW 170th Avenue, Beaverton, OR 97003.

1. Willamette Intake Facility Commission

Willamette Intake Facilities Commission (the Commission or WIF) was organized in April 2018 under Oregon Revised Statute (ORS) 190 and was established by an agreement between the cities of Wilsonville, Hillsboro, Tigard, Beaverton, Sherwood, and Tualatin Valley Water District (the District). The Commission is governed by a six-member board, with one representative appointed by each member jurisdiction. The purpose of the Commission is to provide for the ownership, management, and operation of the Willamette intake facilities which are used to withdraw and transmit water to the parties. The Commission is managed by Tualatin Valley Water District.

Expenses are allocated on a unit basis by the Commission. Each joint venturer's apportioned share of the general administration expenses is determined by the following formula: 25% of the administrative costs for the fiscal year is divided evenly among the Commission's membership; the remainder is divided among the Commission membership according to their percentage share of the capacity ownership in the intake facilities.

Operations, maintenance, and repair expenses that are a result of use of the facilities are allocated based on each party's proportionate use of the WIF. Operations, maintenance, and repair expenses unrelated to usage will be allocated based on each party's proportionate ownership of the WIF.

The following percentages were in effect at June 30, 2019:

Tualatin Valley Water District	39.40 %
City of Wilsonville	16.70
City of Sherwood	6.50
City of Tigard	10.00
City of Hillsboro	24.10
City of Beaverton	3.30

2. Willamette River Water Coalition

Willamette River Water Coalition (the Coalition) was organized under Oregon Revised Statute (ORS) 190 and was established by an agreement between the cities of Tigard, Tualatin, Sherwood, and Tualatin Valley Water District (the District). The Coalition is governed by a four-member board, with one representative appointed by each member jurisdiction. The purpose of the Coalition is to preserve access to the Willamette River as a potential municipal and industrial water source for each of the growing communities listed above. The Coalition is managed by the District.

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019

III. OTHER INFORMATION (Continued)

D. Investment in Joint Ventures (Continued)

2. Willamette River Water Coalition (Continued)

Operation and maintenance expense is determined on a unit basis by the Coalition. Each joint venture's apportioned share of the general administration expenses is determined by the following formula: one half of the administrative costs for the fiscal year is divided evenly among the Coalition's membership, the second half of the total administrative cost of the fiscal year is divided among the Coalition membership according to their percentage share of the total number of water meters served by the members of the Coalition as of January 1 of the preceding fiscal year. The following percentages were in effect at June 30, 2019:

City of Tigard	22.77 %
City of Tualatin	16.14
City of Sherwood	15.59
Tualatin Valley Water District	45.50

The City's investment in joint ventures is summarized as follows:

	Willamette Intake Facility Commission	Willamette River Water Coalition	Total
Investment in joint ventures at June 30, 2018	\$ 483,326	\$ 3,367	\$ 486,693
Investment	145,464	-	145,464
Income (loss) for the year	(8,725)	861	(7,864)
Investment in joint ventures at June 30, 2019	\$ 620,065	\$ 4,228	\$ 624,293

IV. COMMITMENTS AND CONTINGENCIES

The City is involved in various claims and legal matters relating to its operations which the City does not believe have a material impact on its June 30, 2019 financial statements.

The City has no significant outstanding commitments at June 30, 2019 related to construction contracts.

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019

V. OVER-EXPENDITURE OF APPROPRIATIONS

Oregon Law prohibits expenditures in excess of Council-approved appropriations. The City has the following over-expenditure of appropriations during the current year.

	<u>Appropriation Over Budget</u>
Water Fund - Debt Service	\$ 75
Broadband Fund - Operations	<u>36,958</u>
Total	<u>\$ 37,033</u>

VI. SUBSEQUENT EVENT

In November of 2019, the City signed a loan agreement with JPMorgan Chase Bank to borrow \$2,000,000 with an all-in interest rate of 2.51%. The proceeds are for the improvement and expansion of the Sherwood Broadband network within the City and the surrounding areas. The terms of repayment are semiannual payments of principal and interest starting in June of 2020. The loan is secured by an irrevocable pledge of net revenues to secure payment of and to pay the amounts due under the loan agreement.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SHERWOOD
Sherwood, Oregon

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Property taxes	\$ 5,654,020	\$ 5,654,020	\$ 5,836,667	\$ 182,647
Franchises and fees	2,020,625	2,020,625	1,980,159	(40,466)
Intergovernmental	2,083,604	2,110,167	1,925,943	(184,224)
Charges for services	1,810,036	1,810,036	2,330,873	520,837
Fines and forfeitures	2,487,500	2,487,500	2,244,830	(242,670)
Interest	85,971	85,971	139,256	53,285
Miscellaneous	190,780	212,970	100,804	(112,166)
TOTAL REVENUES	14,332,536	14,381,289	14,558,532	177,243
EXPENDITURES:				
Administration	2,817,268	2,915,868	2,816,356	99,512
Community development	2,022,295	2,026,795	1,929,042	97,753
Public safety	4,108,271	4,143,471	4,072,675	70,796
Community services	2,242,925	2,262,478	2,169,082	93,396
Public works	2,916,669	2,984,469	2,531,020	453,449
Contingency	716,627	666,477	-	666,477
TOTAL EXPENDITURES	14,824,055	14,999,558	13,518,175	1,481,383
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(491,519)	(618,269)	1,040,357	1,658,626
OTHER FINANCING SOURCES (USES):				
Capital lease proceeds	-	-	19,012	19,012
Sale of capital assets	-	-	14,762	14,762
TOTAL OTHER FINANCING SOURCES (USES)	-	-	33,774	33,774
NET CHANGE IN FUND BALANCE	(491,519)	(618,269)	1,074,131	1,692,400
FUND BALANCE - beginning of year	3,685,457	4,478,428	4,478,428	-
FUND BALANCE - end of year	\$ 3,193,938	\$ 3,860,159	\$ 5,552,559	\$ 1,692,400

CITY OF SHERWOOD
Sherwood, Oregon

STREET OPERATIONS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental	\$ 1,402,488	\$ 1,402,488	\$ 1,821,288	\$ 418,800
Charges for services	624,270	624,270	648,411	24,141
Fines, interest and other	19,500	19,500	54,443	34,943
Miscellaneous	-	-	875	875
TOTAL REVENUES	<u>2,046,258</u>	<u>2,046,258</u>	<u>2,525,017</u>	<u>478,759</u>
EXPENDITURES:				
Personnel services	449,048	449,048	373,190	75,858
Materials and services	1,629,766	1,630,216	1,261,474	368,742
Capital outlay	629,000	629,000	455,379	173,621
Contingency	102,313	102,313	-	102,313
TOTAL EXPENDITURES	<u>2,810,127</u>	<u>2,810,577</u>	<u>2,090,043</u>	<u>720,534</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(763,869)</u>	<u>(764,319)</u>	<u>434,974</u>	<u>1,199,293</u>
NET CHANGE IN FUND BALANCE	<u>(763,869)</u>	<u>(764,319)</u>	<u>434,974</u>	<u>1,199,293</u>
FUND BALANCE - beginning of year	<u>1,779,764</u>	<u>2,083,695</u>	<u>2,083,695</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 1,015,895</u>	<u>\$ 1,319,376</u>	<u>\$ 2,518,669</u>	<u>\$ 1,199,293</u>

CITY OF SHERWOOD
Sherwood, Oregon

URBAN RENEWAL OPERATIONS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Property taxes	\$ 3,902,200	\$ 3,902,200	\$ 3,785,945	\$ (116,255)
Fines, interest and other	30,000	30,000	73,107	43,107
TOTAL REVENUES	<u>3,932,200</u>	<u>3,932,200</u>	<u>3,859,052</u>	<u>(73,148)</u>
EXPENDITURES:				
Personnel services	103,787	103,787	56,745	47,042
Materials and services	66,446	66,446	34,304	32,142
Capital outlay	20,000	20,000	-	20,000
Debt service	2,840,019	2,840,019	2,840,019	-
Contingency	196,610	196,610	-	196,610
TOTAL EXPENDITURES	<u>3,226,862</u>	<u>3,226,862</u>	<u>2,931,068</u>	<u>295,794</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>705,338</u>	<u>705,338</u>	<u>927,984</u>	<u>222,646</u>
NET CHANGE IN FUND BALANCE	705,338	705,338	927,984	222,646
FUND BALANCE - beginning of year	<u>2,070,697</u>	<u>2,070,697</u>	<u>2,135,138</u>	<u>64,441</u>
FUND BALANCE - end of year	<u>\$ 2,776,035</u>	<u>\$ 2,776,035</u>	<u>\$ 3,063,122</u>	<u>\$ 287,087</u>

CITY OF SHERWOOD
Sherwood, Oregon

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
For the last six fiscal years ^{1,2}

Year Ended June 30,	(a) City's proportion of the net pension liability (asset)	(b) City's proportionate share of the net pension liability (asset)	(c) City's covered payroll	(b/c) City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2019	0.0793%	\$ 12,015,387	\$ 7,539,467	159.37%	82.07%
2018	0.0833%	11,231,146	7,239,308	155.14%	83.12%
2017	0.0825%	12,387,444	7,318,363	169.27%	80.53%
2016	0.0903%	5,181,815	6,379,226	81.23%	91.88%
2015	0.0826%	(1,872,341)	6,207,920	-30.16%	103.59%
2014	0.0826%	4,215,278	5,921,428	71.19%	91.97%

¹ 10-year trend information required by GASB Statement 68 will be presented

² Amounts presented are for the measurement period reported during the fiscal year, which for FY 2019 is July 1, 2017 - June 30, 2018

SCHEDULE OF PLAN CONTRIBUTIONS
For the last six fiscal years ¹

Year Ended June 30,	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency (excess)	(c) City's covered payroll	(b/c) Contributions as a percent of covered payroll
2019	\$ 1,265,497	\$ 1,265,497	-	\$ 8,048,742	15.72 %
2018	1,197,513	1,197,513	-	7,539,467	15.88
2017	964,354	964,354	-	7,239,308	13.32
2016	904,156	904,156	-	7,318,363	12.35
2015	749,886	749,886	-	6,379,226	11.76
2014	779,090	779,090	-	6,207,920	12.55

¹ 10-year trend information required by GASB Statement 68 will be presented prospectively

CITY OF SHERWOOD
Sherwood, Oregon

SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS
Implicit Rate Subsidy Plan
For the last two fiscal years ^{1,2}

	2019	2018
Total OPEB Liability		
Service Cost	\$ 40,813	\$ 43,525
Interest	19,173	14,878
Difference between expected and actual experience	37,097	-
Changes of assumptions or other inputs	(63,606)	(38,570)
Benefit payments	(5,489)	(1,697)
Net change in OPEB Liability	27,988	18,136
Total OPEB Liability-beginning	497,476	479,340
Total OPEB Liability-ending	\$ 525,465	\$ 497,476
City's Covered Payroll	7,539,467	7,239,308
Total OPEB Liability as a percentage of it's covered payroll	7.0%	6.9%

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

² Amounts presented are for the measurement period reported during the fiscal year, which for FY 2019 is July 1, 2017 - June 30, 2018

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
Oregon Public Employees Retirement System, Retirement Health Insurance Account
For the last three fiscal years ^{1,2}

Year Ended June 30,	(a) City's proportion of the net OPEB liability (asset)	(b) City's proportionate share of the net OPEB liability (asset)	(c) City's covered payroll	(b/c) City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2019	0.0674%	\$ (75,206)	\$ 7,539,467	-1.00%	124.01%
2018	0.0667%	(27,845)	7,239,308	-0.38%	108.89%
2017	0.0713%	19,364	7,318,363	0.26%	94.15%

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

² Amounts presented are for the measurement period reported during the fiscal year, which for FY 2019 is July 1, 2017 - June 30, 2018

CITY OF SHERWOOD
Sherwood, Oregon

SCHEDULE OF THE CITY'S CONTRIBUTIONS
Oregon Public Employees Retirement System, Retirement Health Insurance Account
For the last five fiscal years ¹

Year Ended June 30,	(a) Contractually required contribution	(b) Contributions in relation to the contractually required contribution	(a-b) Contribution deficiency (excess)	(c) City's covered payroll	(b/c) Contributions as a percent of covered payroll
2019	\$ 34,219	\$ 34,219	-	\$ 8,048,742	0.43%
2018	33,217	33,217	-	7,539,920	0.44%
2017	34,723	34,723	-	7,239,308	0.48%
2016	32,568	32,568	-	7,318,363	0.45%
2015	31,094	31,094	-	6,379,226	0.49%

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

CITY OF SHERWOOD
Sherwood, Oregon

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2019

I. BUDGET

Required Supplementary Information includes the budgetary comparison for the General, Street Operations, and Urban Renewal Operations Funds. The budgetary comparison information for all other funds can be found in Other Supplementary Information which follows this section.

Budgets for all funds are prepared on the modified accrual basis of accounting. The level of budgetary control is set at the department level for the General Fund and at the operating program level for Street Operations and Urban Renewal Operations. All annual appropriations lapse at fiscal year-end.

The City did not over expend its appropriations in any of the above listed funds.

II. ACTUARIAL ASSUMPTIONS AND METHODS USED TO ACTUARIALLY DETERMINE OPEB CONTRIBUTIONS

Oregon Public Employees Retirement System, Retirement Health Insurance Account actuarial assumptions are as follows:

Actuarial Valuation	December 31, 2015	December 31, 2013	December 31, 2011
Effective	July 2017 - June 2019	July 2015 - June 2017	July 2013 - June 2015
Actuarial cost method:	Entry Age Normal	Entry Age Normal	Projected Unit Credit
Actuarial valuation method:	Market Value	Market Value	Market Value
Actuarial assumption:			
Inflation rate	2.50 percent	2.75 percent	2.75 percent
Projected salary increases	3.50 percent	3.75 percent	3.75 percent
Investment rate of return	7.50/7.20 percent	7.75 percent	8.00 percent
Healthcare cost inflation	Ranging from 6.3% in 2016 to 4.4% in 2094	Ranging from 6.1% in 2014 to 4.7% in 2083	Ranging from 6.9% in 2012 to 4.5% in 2029

III. CHANGES IN ACTUARIAL ASSUMPTIONS IN OPEB CONTRIBUTIONS

Changes in Implicit Rate Subsidy Plan assumptions are the result of the change in the discount rate from 3.58% to 3.87%.

OTHER SUPPLEMENTARY INFORMATION

CITY OF SHERWOOD
Sherwood, Oregon

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019

	Special Revenue Funds			Capital Project Funds		Totals
	Debt Service	Transient Lodging Tax	Grant	General Construction	Street Capital	
ASSETS:						
Cash and investments	\$ 65,526	\$ 5,404	\$ 42,774	\$ 1,320,688	\$ 5,121,089	\$ 6,555,481
Receivables	7,999	339	23,742	340,171	-	372,251
TOTAL ASSETS	<u>\$ 73,525</u>	<u>\$ 5,743</u>	<u>\$ 66,516</u>	<u>\$ 1,660,859</u>	<u>\$ 5,121,089</u>	<u>\$ 6,927,732</u>
LIABILITIES:						
Accounts payable	\$ -	\$ -	\$ -	\$ 190,014	\$ 29,805	\$ 219,819
Payroll payable	-	-	-	1,116	3,306	4,422
Other current liabilities	-	-	-	13,883	-	13,883
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>205,013</u>	<u>33,111</u>	<u>238,124</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - grants	5,870	-	-	144,428	-	150,298
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>5,870</u>	<u>-</u>	<u>-</u>	<u>144,428</u>	<u>-</u>	<u>150,298</u>
FUND BALANCES:						
Restricted	67,655	5,743	-	1,213,478	4,981,599	6,268,475
Committed	-	-	66,516	146,390	61,365	274,271
Assigned	-	-	-	-	45,014	45,014
Unassigned	-	-	-	(48,450)	-	(48,450)
TOTAL FUND BALANCES	<u>67,655</u>	<u>5,743</u>	<u>66,516</u>	<u>1,311,418</u>	<u>5,087,978</u>	<u>6,539,310</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 73,525</u>	<u>\$ 5,743</u>	<u>\$ 66,516</u>	<u>\$ 1,660,859</u>	<u>\$ 5,121,089</u>	<u>\$ 6,927,732</u>

CITY OF SHERWOOD
Sherwood, Oregon

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Funds			Capital Project Funds		Totals
	Debt Service	Transient Lodging Tax	Grant	General Construction	Street Capital	
REVENUES:						
Property taxes	\$ 297,944	\$ -	\$ -	\$ -	\$ -	\$ 297,944
Franchises and fees	-	-	-	35,294	-	35,294
Intergovernmental	-	3,972	92,028	201,429	-	297,429
Charges for services	-	-	-	18,456	57,875	76,331
Infrastructure development fees	-	-	-	325,389	536,257	861,646
Interest and Other	1,010	84	473	34,487	122,360	158,414
TOTAL REVENUES	298,954	4,056	92,501	615,055	716,492	1,727,058
EXPENDITURES:						
Current						
Public works	-	-	68,549	180,790	137,355	386,694
Noncurrent						
Capital outlay	-	-	-	491,447	30,800	522,247
Debt service	269,475	-	-	-	-	269,475
TOTAL EXPENDITURES	269,475	-	68,549	672,237	168,155	1,178,416
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	29,479	4,056	23,952	(57,182)	548,337	548,642
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	103,916	-	103,916
Transfers out	-	-	-	-	(103,916)	(103,916)
TOTAL OTHER FINANCING SOURCES	-	-	-	103,916	(103,916)	-
NET CHANGE IN FUND BALANCE	29,479	4,056	23,952	46,734	444,421	548,642
FUND BALANCE - beginning of year	38,176	1,687	42,564	1,264,684	4,643,557	5,990,668
FUND BALANCE - end of year	\$ 67,655	\$ 5,743	\$ 66,516	\$ 1,311,418	\$ 5,087,978	\$ 6,539,310

CITY OF SHERWOOD
Sherwood, Oregon

DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Property taxes	\$ 269,475	\$ 269,475	\$ 297,944	\$ 28,469
Interest	500	500	1,010	510
TOTAL REVENUES	<u>269,975</u>	<u>269,975</u>	<u>298,954</u>	<u>28,979</u>
EXPENDITURES:				
Debt service	<u>269,475</u>	<u>269,475</u>	<u>269,475</u>	<u>-</u>
TOTAL EXPENDITURES	<u>269,475</u>	<u>269,475</u>	<u>269,475</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>500</u>	<u>500</u>	<u>29,479</u>	<u>28,979</u>
NET CHANGE IN FUND BALANCE	500	500	29,479	28,979
FUND BALANCE - beginning of year	<u>29,063</u>	<u>38,176</u>	<u>38,176</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 29,563</u>	<u>\$ 38,676</u>	<u>\$ 67,655</u>	<u>\$ 28,979</u>

CITY OF SHERWOOD
Sherwood, Oregon

**TRANSIENT LODGING TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental	\$ 1,300	\$ 1,300	\$ 3,972	\$ 2,672
Interest and other	15	15	84	69
TOTAL REVENUES	<u>1,315</u>	<u>1,315</u>	<u>4,056</u>	<u>2,741</u>
EXPENDITURES:				
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,315</u>	<u>1,315</u>	<u>4,056</u>	<u>2,741</u>
NET CHANGE IN FUND BALANCE	1,315	1,315	4,056	2,741
FUND BALANCE - beginning of year	<u>1,055</u>	<u>1,687</u>	<u>1,687</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 2,370</u>	<u>\$ 3,002</u>	<u>\$ 5,743</u>	<u>\$ 2,741</u>

CITY OF SHERWOOD
Sherwood, Oregon

GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental	\$ 84,000	\$ 84,000	\$ 92,028	\$ 8,028
Interest and other	200	200	473	273
TOTAL REVENUES	<u>84,200</u>	<u>84,200</u>	<u>92,501</u>	<u>8,301</u>
EXPENDITURES:				
Materials and services	82,000	88,000	68,549	19,451 *
Contingency	4,210	4,210	-	4,210
TOTAL EXPENDITURES	<u>86,210</u>	<u>92,210</u>	<u>68,549</u>	<u>23,662</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,010)</u>	<u>(8,010)</u>	<u>23,952</u>	<u>31,962</u>
NET CHANGE IN FUND BALANCE	(2,010)	(8,010)	23,952	31,962
FUND BALANCE - beginning of year	<u>23,393</u>	<u>42,564</u>	<u>42,564</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 21,383</u>	<u>\$ 34,554</u>	<u>\$ 66,516</u>	<u>\$ 31,962</u>

* Expenditures in this fund are appropriated at the level of "Grant operations" meaning that personnel services, materials and services, and capital outlay are combined to determine budget compliance.

CITY OF SHERWOOD
Sherwood, Oregon

GENERAL CONSTRUCTION FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Franchises and fees	\$ 40,000	\$ 40,000	\$ 35,294	\$ (4,706)
Intergovernmental	43,045	369,059	201,429	(167,630)
Charges for services	18,000	18,000	18,456	456
Infrastructure development fees	381,950	381,950	325,389	(56,561)
Interest and other	40,150	40,150	34,487	(5,663)
TOTAL REVENUES	<u>523,145</u>	<u>849,159</u>	<u>615,055</u>	<u>(234,104)</u>
EXPENDITURES:				
Personnel services	72,799	72,799	52,105	20,694 *
Materials and services	43,210	118,210	128,685	(10,475) *
Capital outlay	983,000	1,389,000	491,447	897,553 *
TOTAL EXPENDITURES	<u>1,099,009</u>	<u>1,580,009</u>	<u>672,237</u>	<u>907,772</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(575,864)</u>	<u>(730,850)</u>	<u>(57,182)</u>	<u>673,669</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	417,805	417,805	103,916	(313,889)
NET CHANGE IN FUND BALANCE	(158,059)	(313,045)	46,734	359,779
FUND BALANCE - beginning of year	<u>886,917</u>	<u>1,264,684</u>	<u>1,264,684</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 728,858</u>	<u>\$ 951,639</u>	<u>\$ 1,311,418</u>	<u>\$ 359,779</u>

* Expenditures in this fund are appropriated at the level of "General Construction operations" meaning that personnel services, materials and services, and capital outlay are combined to determine budget compliance.

CITY OF SHERWOOD
Sherwood, Oregon

STREET CAPITAL FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Charges for services	\$ 55,000	\$ 55,000	\$ 57,875	\$ 2,875
Infrastructure development fees	576,495	576,495	536,257	(40,238)
Fines, interest and other	-	101,500	122,360	20,860
TOTAL REVENUES	<u>631,495</u>	<u>732,995</u>	<u>716,492</u>	<u>(16,503)</u>
EXPENDITURES:				
Personnel services	55,330	55,330	70,514	(15,184) *
Materials and services	52,471	52,471	66,841	(14,370) *
Capital outlay	696,000	696,000	30,800	665,200 *
TOTAL EXPENDITURES	<u>803,801</u>	<u>803,801</u>	<u>168,155</u>	<u>635,646</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(172,306)</u>	<u>(70,806)</u>	<u>548,337</u>	<u>619,143</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(417,805)	(417,805)	(103,916)	313,889
TOTAL OTHER FINANCING SOURCES (USES)	<u>(417,805)</u>	<u>(417,805)</u>	<u>(103,916)</u>	<u>313,889</u>
NET CHANGE IN FUND BALANCE	(590,111)	(488,611)	444,421	933,032
FUND BALANCE - beginning of year	<u>3,859,972</u>	<u>4,643,557</u>	<u>4,643,557</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 3,269,861</u>	<u>\$ 4,154,946</u>	<u>\$ 5,087,978</u>	<u>\$ 933,032</u>

* Expenditures in this fund are appropriated at the level of "Street Capital operations" meaning that personnel services, materials and services, and capital outlay are combined to determine budget compliance.

CITY OF SHERWOOD
Sherwood, Oregon

WATER FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Charges for services	\$ 6,072,825	\$ 6,072,825	\$ 6,078,669	\$ 5,844
Infrastructure development fees	591,645	591,645	606,364	14,719
Interest	190,000	190,000	370,734	180,734
TOTAL REVENUES	6,854,470	6,854,470	7,055,767	201,297
EXPENDITURES:				
Operations	3,543,450	3,544,600	2,933,533	611,067
Capital	2,739,827	2,739,827	501,321	2,238,506
Debt Service	1,758,606	1,758,606	1,758,681	(75)
Contingency	308,141	308,141	-	308,141
TOTAL EXPENDITURES	8,350,024	8,351,174	5,193,535	3,157,639
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,495,554)	(1,496,704)	1,862,232	3,358,936
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(34,800)	-	34,800
TOTAL OTHER FINANCING SOURCES (USES)	-	(34,800)	-	34,800
NET CHANGE IN FUND BALANCE	(1,495,554)	(1,531,504)	1,862,232	3,393,736
FUND BALANCE - beginning of year	11,574,588	12,372,608	12,372,608	-
FUND BALANCE - end of year	\$ 10,079,034	\$ 10,841,104	\$ 14,234,840	\$ 3,393,736

CITY OF SHERWOOD
Sherwood, Oregon

WATER FUND
RECONCILIATION OF SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

Change in fund balance - budgetary basis	\$ 1,862,232
Pension expense	(76,013)
OPEB expense	3,648
Depreciation expense	(663,937)
Loss on disposal of fixed assets	(185)
Expenditures capitalized	512,198
Contributed assets	544,986
Contributions to joint ventures	145,464
City's share of net loss of joint ventures	(7,863)
Principal payments on long-term obligations	1,034,000
Change in accrued interest on long-term obligations	2,471
Change in compensated absences	(7,833)
Amortization of debt premium	7,428
Change in net position - GAAP basis	<u>\$ 3,356,596</u>
Fund balance - budgetary basis	\$ 14,234,840
Net pension liability	(663,086)
OPEB asset	3,809
OPEB liability	(26,613)
Deferred outflows-Pension	262,366
Deferred outflows-OPEB	3,964
Deferred inflows-Pension	(63,575)
Deferred inflows-OPEB	(5,519)
Investment in joint ventures	624,293
Capital assets	51,111,093
Long-term obligations and related premium	(19,304,268)
Compensated absences	(49,291)
Accrued interest on long term obligations	(55,481)
Net position - GAAP basis	<u>\$ 46,072,532</u>

CITY OF SHERWOOD
Sherwood, Oregon

SEWER FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Charges for services	\$ 703,000	\$ 703,000	\$ 724,723	\$ 21,723
Intergovernmental	1,000	1,000	2,014	1,014
Infrastructure development fees	128,378	128,378	172,729	44,351
Interest and other	39,400	39,400	88,141	48,741
TOTAL REVENUES	<u>871,778</u>	<u>871,778</u>	<u>987,607</u>	<u>115,829</u>
EXPENDITURES:				
Operations	911,918	912,418	698,093	214,325
Capital	308,387	308,387	90,611	217,776
Contingency	35,670	35,670	-	35,670
TOTAL EXPENDITURES	<u>1,255,975</u>	<u>1,256,475</u>	<u>788,704</u>	<u>467,771</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(384,197)</u>	<u>(384,697)</u>	<u>198,903</u>	<u>583,600</u>
NET CHANGE IN FUND BALANCE	(384,197)	(384,697)	198,903	583,600
FUND BALANCE - beginning of year	<u>2,746,140</u>	<u>3,005,317</u>	<u>3,005,317</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$2,361,943</u>	<u>\$2,620,620</u>	<u>\$ 3,204,220</u>	<u>\$ 583,600</u>

CITY OF SHERWOOD
Sherwood, Oregon

SEWER FUND
RECONCILIATION OF SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

Change in fund balance - budgetary basis	\$ 198,903
Pension expense	(63,840)
OPEB expense	42
Depreciation expense	(180,965)
Expenditures capitalized	181,163
Contributed assets	206,835
Change in compensated absences	(3,365)
Change in net position - GAAP basis	<u>\$ 338,773</u>
Fund balance - budgetary basis	\$ 3,204,220
Net pension liability	(283,203)
OPEB asset	1,632
OPEB liability	(11,402)
Deferred outflows-Pension	112,056
Deferred outflows-OPEB	1,699
Deferred inflows-Pension	(27,153)
Deferred inflows-OPEB	(2,364)
Capital assets	13,908,628
Compensated absences	(20,527)
Net position - GAAP basis	<u>\$ 16,883,586</u>

CITY OF SHERWOOD
Sherwood, Oregon

STORM FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Charges for services	\$ 1,923,499	\$ 1,923,499	\$ 1,966,615	\$ 43,116
Infrastructure development fees	100,797	100,797	54,303	(46,494)
Interest and other	32,000	32,000	121,801	89,801
TOTAL REVENUES	<u>2,056,296</u>	<u>2,056,296</u>	<u>2,142,719</u>	<u>86,423</u>
EXPENDITURES:				
Operations	2,034,810	2,069,910	1,329,445	740,465
Capital	994,483	994,483	41,088	953,395
Contingency	77,425	77,425	-	77,425
TOTAL EXPENDITURES	<u>3,106,718</u>	<u>3,141,818</u>	<u>1,370,533</u>	<u>1,771,285</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,050,422)</u>	<u>(1,085,522)</u>	<u>772,186</u>	<u>1,857,708</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	34,800	-	(34,800)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>34,800</u>	<u>-</u>	<u>(34,800)</u>
NET CHANGE IN FUND BALANCE	(1,050,422)	(1,050,722)	772,186	1,822,908
FUND BALANCE - beginning of year	<u>4,098,357</u>	<u>4,489,276</u>	<u>4,489,276</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 3,047,935</u>	<u>\$ 3,438,554</u>	<u>\$ 5,261,462</u>	<u>\$ 1,822,908</u>

CITY OF SHERWOOD
Sherwood, Oregon

STORM FUND
RECONCILIATION OF SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

Change in fund balance - budget basis	\$	772,186
Pension expense		(68,976)
OPEB expense		2,702
Depreciation expense		(274,359)
Contributed assets		617,763
Expenditures capitalized		425,384
Change in compensated absences		(5,563)
Change in net position - GAAP basis		<u>\$ 1,469,137</u>
Fund balance - budget basis	\$	5,261,462
Net pension liability		(456,894)
OPEB asset		2,508
OPEB liability		(17,521)
Deferred outflows-Pension		180,781
Deferred outflows-OPEB		2,610
Deferred inflows-Pension		(43,806)
Deferred inflows-OPEB		(3,633)
Capital assets		23,213,277
Compensated absences		(32,220)
Net position - GAAP basis		<u>\$ 28,106,564</u>

CITY OF SHERWOOD
Sherwood, Oregon

BROADBAND FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Charges for services	\$ 465,326	\$ 492,576	\$ 473,660	\$ (18,916)
Intergovernmental	-	12,750	15,000	2,250
Interest and other	6,000	156,000	9,385	(146,615)
TOTAL REVENUES	471,326	661,326	498,045	(163,281)
EXPENDITURES:				
Personnel services	137,218	137,218	145,725	(8,507)
Materials and services	276,153	276,153	371,282	(95,129)
Capital outlay	140,000	400,000	333,322	66,678
Contingency	23,566	2,542	-	2,542
TOTAL EXPENDITURES	576,937	815,913	850,329	(34,416)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(105,611)	(154,587)	(352,284)	(197,697)
OTHER FINANCING SOURCES:				
Capital lease proceeds	-	-	245,498	245,498
NET CHANGE IN FUND BALANCE	(105,611)	(154,587)	(106,786)	47,801
FUND BALANCE - beginning of year	368,663	417,639	417,639	-
FUND BALANCE - end of year	\$ 263,052	\$ 263,052	\$ 310,853	\$ 47,801

* Expenditures in this fund are appropriated at the level of "Broadband Operations" meaning that personnel services, materials and services, and capital outlay are combined to determine budget compliance.

CITY OF SHERWOOD

Sherwood, Oregon

**BROADBAND FUND
RECONCILIATION OF SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019**

Change in fund balance - budgetary basis	\$ (106,786)
Pension expense	(21,682)
OPEB expense	(299)
Depreciation expense	(38,343)
Contributed assets	100,888
Expenditures capitalized	333,322
Capital Lease Proceeds	(245,498)
Change in compensated absences	5,588
Change in net position - GAAP basis	<u>\$ 27,190</u>
Fund balance - budgetary basis	\$ 310,853
Net pension liability	(147,573)
OPEB asset	975
OPEB liability	(6,814)
Deferred outflows-Pension	58,391
Deferred outflows-OPEB	1,015
Deferred inflows-Pension	(14,149)
Deferred inflows-OPEB	(1,413)
Capital assets	1,019,583
Capital lease payable	(245,498)
Compensated absences	(7,880)
Net position - GAAP basis	<u>\$ 967,490</u>

CITY OF SHERWOOD
Sherwood, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS
YEAR ENDED JUNE 30, 2019

Tax Year	Uncollected Balances June 30, 2018	2018-19 Levy	Interest, Discounts & Adjustments	Collections	Uncollected Balances June 30, 2019
2018-19	\$ -	\$ 9,976,642	\$ (299,321)	\$ (9,558,821)	\$ 118,500
2017-18	119,689	-	21,482	(110,909)	30,262
2016-17	100,362	-	(38,168)	(43,537)	18,657
2015-16	54,277	-	(23,356)	(22,691)	8,230
2014-15	54,759	-	(9,352)	(42,758)	2,649
2013-14	43,154	-	(6,079)	(35,279)	1,796
2012-13 & Prior Years	122,367	-	(7,146)	(107,933)	7,288
Total	\$ 494,608	\$ 9,976,642	\$ (361,940)	\$ (9,921,928)	\$ 187,382

STATISTICAL SECTION

CITY OF SHERWOOD
Sherwood, Oregon

STATISTICAL SECTION

This part of the City of Sherwood's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, required supplementary information and supplementary information says about the City's overall financial health.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how financial performance has changed over time.	90-93
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.	94-97
Debt Capacity These schedules contain 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.	98-101
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment which the City's financial activities take place.	102
Operating Information This schedule contains 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.	103

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

CITY OF SHERWOOD
Sherwood, Oregon

GOVERNMENT-WIDE NET POSITION
LAST TEN FISCAL YEARS

	2019	2018	2017 as restated	2016 as restated	2015 as restated	2014 as restated	2013	2012	2011	2010
Governmental activities										
Net investment in capital assets	\$ 60,754,301	\$ 60,139,362	\$ 61,929,620	\$ 62,710,458	\$ 61,788,307	\$ 50,984,632	\$ 52,838,930	\$ 53,808,000	\$ 50,616,029	\$ 14,235,108
Restricted	11,916,429	9,904,857	7,911,862	7,628,181	6,641,181	10,184,686	2,898,423	4,415,125	3,765,783	94,621
Unrestricted	(2,311,325)	(2,488,303)	(3,401,944)	(1,789,766)	1,903,389	5,056,030	9,119,548	6,412,820	6,315,572	(2,605,639)
Total governmental activities net position	<u>70,359,405</u>	<u>67,555,916</u>	<u>66,439,538</u>	<u>68,548,873</u>	<u>70,332,877</u>	<u>66,225,348</u>	<u>64,856,901</u>	<u>64,635,945</u>	<u>60,697,384</u>	<u>11,724,090</u>
Business-Type activities										
Net investment in capital assets	70,618,624	68,338,342	67,095,436	66,183,931	65,183,966	60,286,219	58,296,986	59,730,928	56,643,754	84,563,361
Restricted	7,265,320	7,493,636	5,033,233	4,827,309	4,557,700	4,508,411	3,939,196	3,218,306	-	10,501,066
Unrestricted	14,146,228	11,006,498	10,567,943	9,248,463	8,212,156	7,763,528	8,791,167	5,822,184	9,174,948	7,297,289
Total business-type activities net position	<u>92,030,172</u>	<u>86,838,476</u>	<u>82,696,612</u>	<u>80,259,703</u>	<u>77,953,822</u>	<u>72,558,158</u>	<u>71,027,349</u>	<u>68,771,418</u>	<u>65,818,702</u>	<u>102,361,716</u>
Government-wide activities										
Net investment in capital assets	131,372,925	128,477,704	129,025,056	128,894,389	126,972,273	111,270,851	111,135,916	113,538,928	107,259,783	98,798,469
Restricted	19,181,749	16,244,853	12,945,095	12,455,490	11,198,881	14,693,097	6,837,619	7,633,431	3,765,783	10,595,687
Unrestricted	11,834,903	9,671,835	7,165,999	7,458,697	10,115,545	12,819,558	17,910,715	12,235,004	15,490,520	4,691,650
Total Government-wide activities net position	<u>\$ 162,389,577</u>	<u>\$ 154,394,392</u>	<u>\$ 149,136,150</u>	<u>\$ 148,808,576</u>	<u>\$ 148,286,699</u>	<u>\$ 138,783,506</u>	<u>\$ 135,884,250</u>	<u>\$ 133,407,363</u>	<u>\$ 126,516,086</u>	<u>\$ 114,085,806</u>

CITY OF SHERWOOD
Sherwood, Oregon

CHANGE IN NET POSITION
LAST TEN FISCAL YEARS

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Expenses										
Governmental activities:										
Administration	\$ 2,719,604	\$ 3,042,785	\$ 3,393,624	\$ 3,762,148	\$ 2,399,678	\$ 3,029,706	\$ 2,883,811	\$ 2,516,677	\$ 796,230	\$ 4,396,849
Community Development	2,247,546	1,928,317	1,651,543	2,038,515	2,729,712	2,362,541	3,666,015	3,256,026	2,923,546	2,094,523
Public Safety	4,488,409	4,197,438	3,722,363	5,091,476	2,533,941	3,535,649	3,265,114	3,339,315	4,100,791	3,817,798
Community Services	2,715,447	2,395,657	2,366,718	2,695,517	1,369,635	1,423,661	1,431,554	1,446,959	1,765,099	1,717,317
Public Works	8,371,532	8,931,365	9,550,440	8,989,818	6,586,383	7,414,223	3,841,187	4,086,621	3,784,575	3,534,781
Interest on long-term obligations	489,255	563,404	655,929	743,533	817,135	809,553	1,091,076	1,081,817	1,503,754	1,131,451
Total governmental activities	21,031,793	21,058,966	21,340,617	23,321,007	16,436,484	18,575,333	16,178,757	15,727,415	14,873,995	16,692,719
Business-Type activities:										
Water	4,244,157	4,620,164	4,433,477	4,978,817	4,891,188	6,062,543	4,108,763	2,172,456	2,403,737	2,682,923
Sewer	855,669	674,672	734,672	918,172	628,522	610,702	549,521	495,249	397,484	456,138
Storm	1,291,345	1,275,830	1,118,477	1,247,121	875,105	1,094,161	942,614	929,770	985,975	671,150
Broadband	571,743	465,760	351,311	236,319	257,755	253,373	174,794	147,990	130,510	207,628
Total business-type activities	6,962,914	7,036,426	6,637,937	7,380,429	6,652,570	8,020,779	5,775,692	3,745,465	3,917,706	4,017,839
Total Expenses	\$ 27,994,707	\$ 28,095,392	\$ 27,978,554	\$ 30,701,436	\$ 23,089,054	\$ 26,596,112	\$ 21,954,449	\$ 19,472,880	\$ 18,791,701	\$ 20,710,558
Revenues										
Governmental activities:										
Charges for services										
Administration	\$ 2,150,403	\$ 1,303,801	\$ 1,333,927	\$ 1,286,213	\$ 1,066,290	\$ 1,126,323	\$ 924,121	\$ 1,281,663	\$ 1,049,985	\$ 613,475
Community Development	1,667,307	1,687,818	694,518	580,776	446,008	687,417	535,078	331,001	313,117	263,475
Public Safety	82,041	69,977	10,519	10,062	17,037	8,303	22,655	8,219	15,565	48,975
Community Services	608,822	521,993	442,121	355,560	313,096	335,297	279,359	276,836	272,128	275,851
Public Works	740,061	702,265	747,527	687,514	616,609	632,329	574,717	525,855	43,254	478,161
Operating grants and contributions	3,988,474	3,369,794	3,078,271	3,112,506	2,887,486	2,768,146	2,566,862	2,450,372	3,737,468	2,930,611
Capital grants and contributions	2,175,544	1,652,950	1,379,926	2,032,032	3,075,352	2,836,247	1,240,908	4,236,522	4,363,569	1,314,967
General revenues and transfers	12,422,631	12,866,746	11,942,225	10,287,396	10,977,479	11,209,402	10,256,013	10,555,508	12,724,131	11,087,578
Total governmental activities	23,835,283	22,175,344	19,629,034	18,352,059	19,399,357	19,603,464	16,399,713	19,665,976	22,519,217	17,013,093
Business-Type activities:										
Charges for services										
Water	6,078,669	5,983,630	5,450,689	5,314,365	4,839,176	4,436,294	4,511,739	4,105,712	3,581,283	3,780,473
Sewer	724,723	680,741	677,284	618,813	599,113	575,710	554,285	523,271	444,953	456,512
Storm	1,966,615	1,839,189	1,860,547	1,744,234	1,727,594	1,619,100	1,525,022	1,418,566	1,340,927	1,330,603
Broadband	473,660	447,672	445,468	523,819	487,387	385,288	318,075	310,838	210,792	186,799
Operating grants and contributions	17,014	2,678	1,129	-	-	1,806,566	-	-	45,000	12,000
Capital grants and contributions	2,303,868	1,871,684	1,012,708	1,355,831	4,167,107	1,085,743	1,045,294	488,204	2,351,721	1,265,269
General revenues, special items, transfers	590,061	352,696	(313,665)	182,774	78,211	69,954	77,208	(148,410)	216,741	488,796
Total business-type activities	12,154,610	11,178,290	9,134,160	9,739,836	11,898,588	9,978,655	8,031,623	6,698,181	8,191,417	7,520,452
Total Revenues	\$ 35,989,893	\$ 33,353,634	\$ 28,763,194	\$ 28,091,895	\$ 31,297,945	\$ 29,582,119	\$ 24,431,336	\$ 26,364,157	\$ 30,710,634	\$ 24,533,545
Change in Net Position										
Governmental Activities	\$ 2,803,489	\$ 1,116,378	\$ (1,711,583)	\$ (4,968,948)	\$ 2,962,873	\$ 1,028,131	\$ 220,956	\$ 3,938,561	\$ 7,645,222	\$ 320,374
Business-Type Activities	5,191,696	4,141,864	2,496,223	2,359,407	5,246,018	1,957,876	2,255,931	2,952,716	4,273,711	3,502,613
Total Net (Expense)/Revenue	\$ 7,995,185	\$ 5,258,242	\$ 784,640	\$ (2,609,541)	\$ 8,208,891	\$ 2,986,007	\$ 2,476,887	\$ 6,891,277	\$ 11,918,933	\$ 3,822,987

CITY OF SHERWOOD
Sherwood, Oregon

GOVERNMENTAL FUND BALANCE
LAST TEN FISCAL YEARS

	2019	2018	2017	2016	2015	2014	2013	2012	2011 (a)	2010
General Fund:										
Nonspendable	\$ 281,498	\$ 83,732	\$ 6,201	\$ -	\$ 179,874	\$ 328,233	\$ 475,664	\$ -	\$ -	\$ -
Restricted	-	-	4,274	-	138,653	209,973	176,427	127,704	75,640	-
Committed	26,306	17,579	12,685	5,107	-	7,230	68,596	3,500	-	-
Assigned	115,185	99,505	84,870	84,870	343	139	1,261	58,386	54,786	-
Unassigned	5,129,570	4,277,612	2,729,205	2,993,022	2,638,521	3,336,003	2,718,585	2,933,222	2,982,560	-
Unreserved	-	-	-	-	-	-	-	-	-	1,862,794
Total General Fund	\$5,552,559	\$4,478,428	\$2,837,235	\$3,082,999	\$ 2,957,391	\$ 3,881,578	\$ 3,440,533	\$ 3,122,812	\$3,112,986	\$1,862,794
Street Operations:										
Restricted	\$2,518,669	\$2,083,695	\$2,294,362	\$2,166,298	\$ 1,744,507	\$ 1,548,453	\$ 1,284,919	\$ 987,889	\$ 458,649	\$ -
Urban Renewal Operations:										
Nonspendable	\$ 119	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	3,063,003	2,135,138	1,792,891	1,384,041	1,619,260	3,657,028	3,778,239	1,857,026	3,718,401	1,810,913
Total Urban Renewal Ops	\$3,063,122	\$2,135,138	\$1,792,891	\$1,384,041	\$ 1,619,260	\$ 3,657,028	\$ 3,778,239	\$ 1,857,026	\$3,718,401	\$1,810,913
Urban Renewal Capital:										
Restricted (b)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 508,904	\$ 3,078,268	\$ -	\$ -
Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 136,111	\$ -	\$ -	\$ -
Restricted	6,268,475	5,728,588	3,820,335	4,077,812	3,138,762	6,317,685	3,714,210	3,706,805	4,656,789	9,532
Committed	274,271	229,283	98,470	118,983	319,008	-	252,812	-	-	-
Assigned	45,014	32,797	-	-	-	-	244,466	251,383	612,633	-
Reserved	-	-	-	-	-	-	-	-	-	491,087
Unassigned	(48,450)	-	-	(39,503)	(10,615)	-	-	-	-	-
Total Other Governmental Funds	\$6,539,310	\$5,990,668	\$3,918,805	\$4,157,292	\$ 3,447,155	\$ 6,317,685	\$ 4,347,599	\$ 3,958,188	\$5,269,422	\$ 500,619

(a) The Street Operations and Street Capital funds were created in 2011 as Governmental Funds. In prior years they were shown as programs in the Street Enterprise Fund.

(b) The Urban Renewal Capital fund was created in 2012 as a Governmental Fund. In prior years it was shown as a part of the Urban Renewal General Fund.

CITY OF SHERWOOD
Sherwood, Oregon

CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenues:										
Property Taxes	\$ 9,920,556	\$ 9,489,203	\$ 9,814,573	\$ 7,991,519	\$ 9,155,253	\$ 9,250,482	\$ 8,375,347	\$ 8,400,078	\$ 8,223,769	\$ 7,975,681
Franchises and fees	2,015,453	2,015,911	1,902,899	1,899,665	1,544,203	1,592,483	1,580,367	1,574,434	1,471,115	1,578,593
Intergovernmental	4,044,660	3,437,272	3,078,271	3,191,829	2,887,486	2,768,145	2,594,181	4,999,094	4,072,817	1,548,654
Charges for services	3,055,615	2,977,299	2,070,123	1,693,715	1,411,682	1,760,618	1,474,026	1,203,285	618,975	819,818
Infrastructure development fees	861,646	1,022,081	765,993	1,426,131	544,726	2,836,246	666,200	233,533	800,843	239,299
Fines and forfeitures	2,244,830	1,245,800	1,158,489	1,226,410	1,047,358	1,029,052	861,904	1,224,727	1,020,855	347,328
Interest on investments	425,220	219,655	129,535	75,823	68,893	77,077	97,290	63,081	57,322	43,515
Miscellaneous	101,679	86,601	45,384	269,342	230,507	260,899	226,069	213,930	364,090	113,006
Total Revenues	22,669,659	20,493,822	18,965,267	17,774,434	16,890,108	19,575,002	15,875,384	17,912,162	16,629,786	12,665,894
Expenditures:										
Current:										
Administration	2,773,091	2,872,682	3,020,281	2,779,587	2,598,190	2,447,546	2,166,821	2,571,542	3,372,963	3,148,951
Community Development	1,929,042	1,803,328	1,529,152	1,587,474	1,424,929	1,126,553	992,193	784,847	1,275,027	1,437,184
Public Safety	4,072,675	3,725,426	3,425,907	3,620,713	3,379,100	3,485,772	3,259,944	3,220,610	4,039,547	3,696,119
Community Services	2,169,082	1,923,931	1,853,341	1,704,173	1,441,834	1,169,915	1,181,814	1,167,801	1,517,075	1,426,069
Public Works	3,986,942	4,514,484	3,588,700	3,204,877	2,812,908	3,116,834	2,290,168	2,431,579	1,969,097	802,833
Capital outlay	1,677,376	839,516	1,585,002	1,130,259	6,648,240	3,784,613	3,915,065	8,136,079	4,187,315	1,003,722
Debt service - principal	2,555,910	2,485,610	3,190,846	1,990,313	1,913,378	1,841,517	7,032,912	3,163,663	4,460,545	2,281,619
Debt service - interest	553,584	626,384	724,168	812,523	754,369	821,237	1,219,706	904,713	1,254,359	1,029,976
Total Expenditures	19,717,702	18,791,361	18,917,397	16,829,919	20,972,948	17,793,987	22,058,623	22,380,834	22,075,928	14,826,473
Excess (Deficiency) of Revenues Over Expenditures	2,951,957	1,702,461	47,870	944,515	(4,082,840)	1,781,015	(6,183,239)	(4,468,672)	(5,446,142)	(2,160,579)
Other Financing Sources (Uses)										
Issuance of long-term debt	-	-	-	-	-	-	5,619,298	4,085,972	4,229,555	1,000,000
Proceeds from capital lease	19,012	14,979	-	-	-	-	83,733	80,938	-	-
Proceeds from sale of capital assets	14,762	2,124,196	4,793	11,791	204,500	-	533,489	-	-	-
Transfers in	103,916	1,087,535	102,757	315,074	4,151,500	2,505,726	429,485	895,122	2,889,027	859,338
Transfers out	(103,916)	(1,084,535)	(102,757)	(249,064)	(4,151,500)	(2,505,726)	(423,787)	(677,695)	(302,317)	(556,967)
Total Other Financing Sources (Uses)	33,774	2,142,175	4,793	77,801	204,500	-	6,242,218	4,384,337	6,816,265	1,302,371
Net change in fund balances	\$ 2,985,731	\$ 3,844,636	\$ 52,663	\$ 1,022,316	\$ (3,878,340)	\$ 1,781,015	\$ 58,979	\$ (84,335)	\$ 1,370,123	\$ (858,208)
Ratio of debt service to non-capital expenditures	18%	19%	23%	18%	19%	19%	45%	29%	32%	24%

CITY OF SHERWOOD
Sherwood, Oregon

**ASSESSED AND ESTIMATED ACTUAL VALUE OF PROPERTY
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	Assessed Value			Estimated Real Market Value (RMV)	Total Direct Tax Rate	Ratio of Total Assessed Value to Total Estimated RMV (b)	Estimated RMV Per Capita	URA Assessed Value (a)
	Real Property	Personal Property, Manufactured Homes and Utility	Total Assessed Value					
2019	\$ 1,897,725,280	\$ 99,694,596	\$ 1,997,419,876	\$ 3,313,954,290	\$ 3.084	60.3 %	\$ 169,903	\$ 215,124,551
2018	1,819,023,950	97,514,015	1,916,537,965	3,051,188,214	3.068	62.8	159,373	220,064,100
2017	1,741,614,730	99,470,069	1,841,084,799	2,776,562,739	3.416	66.3	145,028	217,704,558
2016	1,682,898,700	97,496,399	1,780,395,099	2,525,733,974	3.623	70.5	131,927	96,425,798 (c)
2015	1,585,147,450	99,742,536	1,684,889,986	2,345,831,747	3.457	71.8	122,947	189,942,221
2014	1,531,902,480	86,359,548	1,618,262,028	2,105,890,812	3.432	76.8	113,372	204,412,301
2013	1,462,572,520	83,782,363	1,546,354,883	1,997,911,773	3.482	77.4	109,385	171,273,361
2012	1,426,895,660	91,444,519	1,518,340,179	2,050,439,679	3.502	71.7	112,322	175,303,760
2011	1,390,201,260	88,302,603	1,478,503,863	2,176,404,364	3.549	67.9	119,622	166,693,864
2010	1,340,834,750	93,873,573	1,434,708,323	2,299,242,753	3.562	62.4	138,176	162,832,828

(a) The City of Sherwood Urban Renewal Agency (URA) began operations on July 1, 2001. The amount shown as URA assessed value is the portion of the total assessed value attributable to the URA. Tax revenue on this value is restricted to urban renewal activities.

(b) Ballot Measure 50, implemented in the fiscal year ended June 30, 1998, limited assessed value.

(c) In FY2016 The increment value used by the URA was significantly lower than in other years due to an accounting error.

Source: Washington County Assessment and Taxation

CITY OF SHERWOOD
Sherwood, Oregon

**PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	City of Sherwood			Washington County and Other Governmental Entities			Education			Total
	Permanent Rate (a)	Debt Service (b)	Total City	Permanent Rate	Debt Service	Total County	Permanent Rate	Debt Service	Total Education	
2019	\$ 2.9424	\$0.1417	\$3.0841	\$ 6.6713	\$ 0.4093	\$ 7.0806	\$ 4.6838	\$ 4.0552	\$ 8.7390	\$18.9037
2018	2.9189	0.1488	3.0677	6.7832	0.3770	7.1602	4.6464	4.1188	8.7652	18.9931
2017	2.9075	0.5084	3.4159	6.7557	0.3511	7.1068	4.6283	3.7573	8.3856	18.9083
2016	3.1189	0.5042	3.6231	5.8031	0.3106	6.1137	4.9647	3.8014	8.7661	18.5029
2015	2.9257	0.5309	3.4566	6.4513	0.3388	6.7901	4.6572	3.9446	8.6018	18.8485
2014	2.8810	0.5513	3.4323	6.3964	0.4670	6.8634	4.5860	3.8966	8.4826	18.7783
2013	2.9323	0.5497	3.4820	6.3451	0.5148	6.8599	4.6676	3.9034	8.5710	18.9129
2012	2.9168	0.5848	3.5016	6.4158	0.5027	6.9185	4.6430	3.8874	8.5304	18.9505
2011	2.9258	0.6231	3.5489	6.3943	0.8894	7.2837	4.6573	3.6122	8.2695	19.1021
2010	2.9233	0.6390	3.5623	6.4159	0.6134	7.0293	4.6534	3.9537	8.6071	19.1987

(a) This is the permanent rate, which funds general operations. Permanent rates were fixed by the State in 1997 when property tax limitation measures were approved by the voters. No action of the City can increase the permanent rate from \$3.2975.

(b) Debt service levies are used for payments on general obligation bonds. The City may levy whatever rate is needed to pay debt service on these voter-approved bonds.

CITY OF SHERWOOD
Sherwood, Oregon

PRINCIPAL TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2019			2010		
	Taxable Assessed Value	Rank	Percentage of Total Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Assessed Value
WalMart Stores, Inc	\$27,773,721	1	1.4%	N/A	-	0.0%
MGP X Properties LLC	21,608,340	2	1.1%	N/A	-	0.0%
Bir Sunfield Lakes OR LLC	18,248,380	3	0.9%	13,985,910	2	1.0%
Target Corporation	17,828,042	4	0.9%	13,952,336	3	1.0%
Portland General Electric	17,822,000	5	0.9%	10,409,000	8	0.0%
Creekview Crossing SPE LLC	15,282,660	6	0.8%	N/A	-	0.0%
Tacke LLC & LAF LLC	12,400,896	7	0.6%	N/A	-	0.0%
Allied Systems Company	12,256,070	8	0.6%	10,879,150	7	0.8%
Home Depot USA Inc	10,728,973	9	0.5%	9,328,262	10	0.0%
Langer Gramor LLC	10,509,320	10	0.5%	N/A	-	0.0%
Retail Property Partners	N/A	-	0.0%	16,900,160	1	1.2%
BMC West Corporation	N/A	-	0.0%	11,991,574	4	0.8%
Northwest Natural Gas Co	N/A	-	0.0%	11,874,100	5	0.8%
Verizon Communications	N/A	-	0.0%	10,910,900	6	0.8%
Juniper Ridge Investments	N/A	-	0.0%	9,406,410	9	0.7%
	<u>\$164,458,402</u>		<u>8.2%</u>	<u>\$119,637,802</u>		<u>7.0%</u>

Source: Washington County Assessor's records

CITY OF SHERWOOD
Sherwood, Oregon

PROPERTY TAX LEVIES AND COLLECTIONS
LAST SEVEN FISCAL YEARS

Fiscal Year Ended June 30	Taxes Levied	Current Tax Collections	Percent of Current Taxes Collected	Adjustments/ Discounts/Interest	Total Tax Collections	Outstanding Delinquent Taxes	Ratio of Total Tax Collections to Total Tax Levy
City of Sherwood:							
2019	\$6,166,769	\$5,908,505	95.8%	\$185,017	\$6,093,522	\$ 73,247	98.8%
2018	5,904,596	5,627,507	95.3%	258,883	5,886,390	18,206	99.7%
2017	6,291,785	5,992,483	95.2%	287,736	6,280,219	11,566	99.8%
2016	6,454,287	6,157,490	95.4%	290,307	6,447,797	6,490	99.9%
2015	5,830,966	5,565,047	95.4%	264,274	5,829,321	1,645	100.0%
2014	5,640,111	5,352,760	94.9%	286,288	5,639,048	1,063	100.0%
2013	5,389,489	5,130,153	95.2%	237,820	5,367,973	4,531	99.9%
Sherwood Urban Renewal Agency:							
2019	\$3,809,873	\$3,650,316	95.8%	\$114,304	\$3,764,620	\$ 45,253	98.8%
2018	3,909,851	3,726,871	95.3%	170,924	3,897,795	12,056	99.7%
2017	3,857,367	3,673,871	95.2%	176,405	3,850,276	7,091	99.8%
2016	1,730,398	1,650,826	95.4%	77,832	1,728,658	1,740	99.9%
2015	3,561,323	3,398,911	95.4%	161,408	3,560,319	1,004	100.0%
2014	3,891,961	3,693,675	94.9%	197,553	3,891,228	733	100.0%
2013	3,237,484	3,081,701	95.2%	142,858	3,224,559	2,756	99.6%

Source: Washington County Assessment and Taxation

CITY OF SHERWOOD
Sherwood, Oregon

**RATIO OF DEBT SERVICE EXPENDITURES TO GENERAL GOVERNMENTAL EXPENDITURES
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	Bonded Debt (a)			Loans/Notes Payable (b)			Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service General Governmental Expenditures	
	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service			Bonded Debt	Total Debt
2019	\$ 245,000	\$ 24,475	\$ 269,475	\$ 2,310,910	\$ 529,109	\$ 2,840,019	\$ 3,109,494	\$ 19,717,702	1.4%	15.8%
2018	240,000	31,750	271,750	2,245,610	531,654	2,777,264	3,049,014	18,791,361	1.4%	16.2%
2017	830,000	58,970	888,970	2,360,846	596,959	2,957,805	3,846,775	18,917,397	4.7%	20.3%
2016	810,000	87,012	897,012	1,180,313	656,521	1,836,834	2,733,846	16,829,919	5.3%	16.2%
2015	780,000	112,493	892,493	1,133,328	704,642	1,837,970	2,730,463	20,972,948	4.3%	13.0%
2014	755,000	135,184	890,184	1,086,517	674,368	1,760,885	2,651,069	20,882,003	4.3%	12.7%
2013	735,000	157,625	892,625	6,297,960	933,451	7,231,411	8,124,036	22,058,623	4.0%	36.8%
2012	705,000	182,897	887,897	2,341,532	898,920	3,240,452	4,128,349	22,380,834	4.0%	18.4%
2011	3,050,000	243,091	3,293,091	8,475,526	1,260,663	9,736,189	13,029,280	22,045,928	14.9%	59.1%
2010	670,000	266,070	936,070	1,734,792	1,141,548	2,876,340	3,812,410	15,076,475	6.2%	25.3%

(a) All bonded debt is general obligation debt, and not subject to the limitations on property tax imposed by Measure 50.

(b) Notes payable are being repaid from specific sources, including rent of buildings, parks system development charges, and Urban Renewal Agency property tax increment revenue. All notes are full faith and credit obligations of the City.

CITY OF SHERWOOD
Sherwood, Oregon

**RATIO OF DEBT TO ASSESSED VALUE AND DEBT PER CAPITA
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	Bonded Debt (1)	Less Debt Service Fund	Net Bonded Debt	Governmental		Business-Type Non-bonded Debt (2)	Total Obligation	Ratio of Debt Percentage of Personal Income (3)		Debt Per Capita	
				Activities Non-bonded Debt (2)	Activities Non-bonded Debt (2)			Net Bonded Debt	Total Obligation	Net Bonded Debt	Total Obligation
2019	\$ 520,000	\$ 67,655	\$ 452,345	\$ 12,538,134	\$ 19,423,498	\$ 32,413,977	24.34%	0.34%	\$ 23	\$ 1,662	
2018	765,000	38,176	726,824	14,850,069	20,212,000	35,788,893	14.00%	0.28%	38	1,848	
2017	1,005,000	28,563	976,437	17,099,574	21,349,000	39,425,011	9.49%	0.23%	51	2,059	
2016	1,835,000	(33,640)	1,868,640	19,414,021	22,078,570	43,361,231	4.64%	0.20%	98	2,265	
2015	2,645,000	(10,615)	2,655,615	20,615,267	22,978,399	46,249,281	3.42%	0.20%	139	2,424	
2014	3,425,000	10,101	3,414,899	25,152,712	23,850,814	52,418,425	2.48%	0.16%	180	2,765	
2013	4,180,000	8,432	4,171,568	22,959,865	24,701,435	51,832,868	2.12%	0.17%	225	2,790	
2012	4,915,000	49,241	4,865,759	23,867,009	25,525,860	54,258,628	1.75%	0.16%	266	2,971	
2011	5,620,000	47,382	5,572,618	22,302,146	26,419,060	54,293,824	1.59%	0.16%	305	2,974	
2010	6,365,000	9,532	6,355,468	24,777,515	17,416,102	48,549,085	1.31%	0.17%	349	2,667	

(1) All bonded debt is general obligation debt, and not subject to the limitations on property tax imposed by Measure 50.

(2) Non-bonded debt is being repaid from specific sources, including rent of buildings, parks system development charges, and Urban Renewal Agency property tax increment revenue.

(3) Personal income is derived from the total households in the City of Sherwood 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 SHERWOOD
Sherwood, Oregon

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2019

Jurisdiction	Debt Outstanding	Percentage Applicable To City of Sherwood*	Amount Applicable to City of Sherwood
Overlapping debt			
Metro	\$ 8,284,810	1.00%	\$ 82,848
Northwest Regional ESD	84,319	2.56%	2,159
Port of Portland	537,064	0.92%	4,941
Portland Community College	8,484,554	1.25%	106,057
Tualatin Valley Fire and Rescue District	1,266,551	3.50%	44,329
Washington County	7,180,853	3.16%	226,915
School District 88J	187,555,865	56.93%	106,775,554
Subtotal, overlapping debt			107,242,803
City of Sherwood direct debt			13,236,419
Total direct and overlapping debt			<u>\$ 120,479,222</u>

*Source: Oregon State Treasury, Municipal Debt Advisory Commission

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

The percentage applicable to government 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 SHERWOOD
Sherwood, Oregon

COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2019

Fiscal Year	Total Taxable Assessed Value	Taxable Assessed Value as a Percentage of Estimated Actual Value	Estimated RMV
2019	\$ 1,997,419,876	60%	\$ 3,313,954,290
Debt limitations (3% of total real market value)			\$ 99,418,629
Outstanding Governmental Activities-General Obligation Debt			520,000
Net debt margin			\$ 98,898,629
Percentage of net debt margin available			99.48%
Percentage of net debt power exhausted			0.52%

Last Ten Fiscal Years

Year	Debt Limit	Outstanding debt applicable to limitation June 30	Net Debt Margin	Percentage of Net Debt Margin Available
2019	\$ 99,418,629	\$ 520,000	\$ 98,898,629	99.48%
2018	91,535,646	765,000	90,770,646	99.16%
2017	83,296,882	1,005,000	82,291,882	98.79%
2016	75,772,019	1,835,000	73,937,019	97.58%
2015	70,374,952	2,645,000	67,729,952	96.24%
2014	63,176,724	3,425,000	59,751,724	94.58%
2013	59,937,353	4,180,000	55,757,353	93.03%
2012	61,513,190	4,915,000	56,598,190	92.01%
2011	65,292,131	5,620,000	59,672,131	91.39%
2010	68,977,283	6,365,000	62,612,283	90.77%

CITY OF SHERWOOD
Sherwood, Oregon

DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

July 1	Population (a)	Calendar Year	Unemployment Rate (b)	Median Age (c)	Average Household Size (c)	Per Capita Income	
						City of Sherwood	Washington County (c)
2019	19,505	2019	4.3%				
2018	19,363	2018	3.8%				
2017	19,350	2017	4.2%				
2016	19,145	2016	5.0%				
2015	19,080	2015	5.5%				
2014	18,955	2014	6.2%				
2013	18,575	2013	7.3%				
2012	18,265	2012	8.1%				
2011	18,255	2011	9.1%				
2010	18,205	2010	10.3%	32.1	2.8	\$ 32,525	\$ 30,900

(a) Source: Portland State University Center for Population Research and Census.

(b) Source: Bureau of Labor Statistics; <http://data.bls.gov>; for Portland, OR Metropolitan Statistical Area.

(c) Source: US Census through ESRI

Census data is only available every ten years. Median age, average household size, and per capita income is only available from the census report.

PRINCIPAL EMPLOYERS
CURRENT YEAR AND EIGHT* YEARS AGO

Employer	2019			2012		
	Employees	Rank	% of Total City Employment	Employees	Rank	% of Total City Employment
Sherwood School District	562	1	10%	528	1	9%
Allied Systems Company	280	2	5%	360	2	6%
WalMart Stores Inc.	212	3	4%			
NW Natural	161	4	3%			
Home Depot	148	5	3%	163	3	3%
City of Sherwood	130	6	2%	119	4	2%
Fettig Commercial Construction	125	7	2%	110	5	2%
PNW Flatwork, Inc. dba Fettig	125	7	2%			
Performance Insulation & Energy Services	116	9	2%			
Safeway	112	10	2%	110	5	2%
Kohl's	112	10	2%			
Alberson's Food Ctr				81	7	1%
Showplace Landscape Services				75	8	1%
Target				75	8	1%
Hardwood Industries, Inc.				67	10	1%

Source: 2019 and 2012 Business License Database

*This schedule should present current year and nine years prior. However, information prior to 2012 is not available.

CITY OF SHERWOOD
Sherwood, Oregon

MISCELLANEOUS STATISTICS
2010 through 2019

Date of incorporation	1893									
Form of government	Council/Manager									
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Number of employees	130	114	114	112	106	98	95	96	96	94
Area in square miles	4.6	4.6	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Miles of street	58	58	55	55	55	55	55	55	50	50
Culture and recreation:										
Senior/teen centers	2	2	2	2	2	2	2	2	2	2
Recreation centers	3	3	3	3	3	2	2	2	2	2
Acres of sports fields	55	55	55	55	55	55	55	55	61	61
Acres of maintained passive parks	57	57	57	57	57	57	57	57	57	57
Fire protection by Tualatin Valley Fire and Rescue:										
Number of stations in the City of Sherwood	1	1	1	1	1	1	1	1	1	1
Police protection:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Services provided by School District 88J:										
Number of elementary schools in the City	4	4	4	4	4	4	4	4	4	4
Number of middle and high schools in the City	3	3	3	3	3	3	3	3	3	3

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



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

City Council
City of Sherwood
Sherwood, Oregon

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 Sherwood, Oregon (the City), as of and for the year ended June 30, 2019, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 26, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

COMPLIANCE

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).



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

COMPLIANCE (continued)

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 grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations* except for the following:

- The City had the following expenditures in excess of appropriations:
 - \$75 for Debt Service in the Water Fund
 - \$36,958 for Operations in the Broadband Fund

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 to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as communicated in a separate letter to management dated February 26, 2020 we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

PURPOSE OF THIS REPORT

This report is intended solely for the information and use of the City Council, Oregon Secretary of State Audits Division, and management and is not intended to be and should not be used by anyone other than these specified parties.

Talbot, Kowala & Warwick LLP

Lake Oswego, Oregon
February 26, 2020