



Home of the Tualatin River National Wildlife Refuge

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014

CITY OF SHERWOOD
Sherwood, Oregon

Comprehensive Annual Financial Report

Year Ended June 30, 2014

Prepared by

City of Sherwood

Finance Department

CITY OF SHERWOOD

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CITY OF SHERWOOD

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INTRODUCTORY SECTION



Home of the Tualatin River National Wildlife Refuge

City of Sherwood
22560 SW Pine St.
Sherwood, OR 97140
Tel 503-625-5522
Fax 503-625-5524
www.sherwoodoregon.gov

December 4, 2014

Mayor
Bill Middleton

Citizens of Sherwood
Honorable Mayor
Members of the City Council

Council President
Linda Henderson

Councilors
Dave Grant
Bill Butterfield
Matt Langer
Krisanna Clark
Dan King

City Manager
Joseph Gall, ICMA-CM

Assistant City Manager
Tom Pessemier, P.E.

It is our pleasure to present you with the Fiscal Year 2014 Comprehensive Annual Financial Report (CAFR). This report documents the financial position of the City as of June 30, 2014 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.



2009 Top Ten Selection

We hereby issue this Comprehensive Annual Financial Report of the City of Sherwood for the fiscal year ended June 30, 2014. This report is statutorily required to be completed within six months of the end of the fiscal year unless an extension is authorized. This report meets that deadline.



2007 18th Best Place to Live

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 MDA begins on page 4 of the Financial Section of this report.

This report is the fourth 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, 2014. 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 18,575 located in Washington County, Oregon. It thrives in the same economic environment as the 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 and Mayor, 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 in 2001 and the Agency has been responsible for over \$37.5 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 uses tax increment revenues exclusively to fund its projects. During FY12, the City Council increased the Agency's Maximum Indebtedness from \$35.3 million to \$45.1 million to provide increased funding for the Agency's projects.

ECONOMIC ENVIRONMENT

Sherwood has started to recover from the recession, resulting in an increase in development activity over the past year. Development 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 slowly increased as new developments are added to the tax rolls and franchise fees continue to hold steady.

Four things contribute to the City's stable general government funding sources.

1. Sherwood has a low percentage of commercial and industrial properties. Under Oregon's property tax system, the assessed value of these property categories is prone to more dramatic annual changes than the residential property category.
2. Depending on the rate of decrease of Real Market Value, Oregon's property tax system buffers the impact of falling residential property values on imposed taxes. Property taxes are calculated on the lesser of two values: assessed value or real market value. Unlike many other Oregon communities, the assessed value of residential properties in Sherwood continues to lag the real market value.
3. No single employer dominates the list of Sherwood's largest taxpayers. While this tempers assessed value growth, this uniformity eliminates the risk of dependence on one employer for economic stability.
4. 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. As of 2012 Sherwood's Median Household Income (MHI) is \$82,257 (164% of State Average). Compared to Washington County at \$64,375 and Oregon at \$50,036, it is considered one of the more affluent communities in the State. The income bracket of \$100,000 - \$149,999 accounts for 26% of the households.

Table A shows the split between Sherwood’s residential and non-residential property values and the gap between the assessed and market values. State law dictates that property taxes be assessed on the lower of the two. The large gap between the two (23%) is the cushion that keeps the City’s tax receipts from falling.

Table A Current Tax Year (2013-14) Value Comparison (In Millions of Dollars)		
	Market Value	Assessed Value
Residential	\$ 1,517	\$ 1,214
Commercial/Industrial	321	200
All Other	268	204
Totals	<u>\$ 2,106</u>	<u>\$ 1,618</u>
The difference between Market and Assessed Values is \$487.6 million, or 23% of Market Value		
Source: Washington County Assessment and Taxation		

Table B Top 10 Property Owners Based on FY13-14 Assessed Value (In Thousands of Dollars)		
Taxpayer	Assessed Value	Percentage of Total Assessed Value
Retail Property Partners	\$ 19,021	1.2%
Target Corporation	15,962	1.0%
Bir Sunfield, LLC	15,741	1.0%
Portland General Electric	15,248	0.9%
Creekview Crossing SPE LLC	13,183	0.8%
Allied Systems Company	11,009	0.7%
Juniper Ridge Investments, LLC	10,587	0.7%
Langer Family LLC	9,682	0.6%
Home Depot	9,608	0.6%
JPMCC 2006-CIBC14 12th St	9,125	0.6%
Total	<u>\$ 129,166</u>	<u>8.0%</u>
Source: Washington County Assessment and Taxation		

Franchise fees, another key source of revenue for general government purposes are also maintaining a status quo level. This reflects an economic environment in which consumption of utility services is not falling.

The City is primed for future growth as is detailed in the following section.

CURRENT ECONOMIC DEVELOPMENT ACTIVITIES

Cannery Property Projects: The City, through its component unit, 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 a new community center that will house a theater and classrooms will be completed around January 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 is complete with the construction of a 101 unit apartment complex that opened spring of 2014.

Westside Residential Expansion Infrastructure: During 2011, the City purchased a 19-acre property on the western edge of the City that will become a keystone for western expansion. The land will be the site of an improved intersection that will serve 1,291 acres now in urban reserves, but slated to be included in the City's urban growth boundary.

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 has been annexed into the City.

Parkway Village at Sherwood: This is an 189,000 square foot retail shopping center development on approximately 19 acres of a 55 acre site. The main anchor store of the shopping center opened in August of 2014, with the remaining retail stores opening over the next year.

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.

The City of Sherwood is located in one of the most prosperous counties in Oregon and as these initiatives suggests, is poised for growth. Sherwood has the land and the infrastructure to serve residential, commercial, and industrial growth.

CRITICAL FINANCIAL INFORMATION

Budget: The total City budget for FY15 is \$46 million. Only \$13.6 million (29.5%) of the revenue supporting the budget is available for general purposes. The remaining portion of the budget (\$32.4 million) is constrained by statute or loan covenants to specific purposes, primarily infrastructure construction and maintenance.

Debt: As of June 30, 2014, the City had outstanding general obligation debt of \$3.4 million and outstanding notes payable of \$45.7 million. Total debt was \$49.1 million. The General Obligation debt is repaid from dedicated, voter-approved property tax assessments. The notes payable debt is repaid from several sources: tax increment financing, utility user fees, and building lease revenue. In September of 2012, Moody's Investors Services affirmed the City's Aa3 rating on General Obligation Bonds and its A1 rating on Full Faith and Credit Obligations.

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, 2014. 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, 2013. This was the second 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 2013-2014. This was the 11th 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.

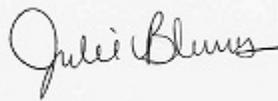
The preparation of this report was made possible by the dedicated service of the staff of the Finance department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

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



Julie M. Blums
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, 2013

Executive Director/CEO

CITY OF SHERWOOD

**CITY OFFICIALS
JUNE 30, 2014**

Name	MAYOR	Term End Date
Bill Middleton 22567 SW Saunders Dr. Sherwood, OR 97140		December 31, 2014

CITY COUNCIL MEMBERS

Linda Henderson
14715 SW Brooke Court
Sherwood, OR 97140
December 31, 2016

Krisanna Clark
23854 SW Aldergrove Avenue
Sherwood, OR 97140
December 31, 2016

Robyn Folsom
15587 SW Oriole Court
Sherwood, OR 97140
December 31, 2016

Dave Grant
14845 SW Brooke Court
Sherwood, OR 97140
December 31, 2014

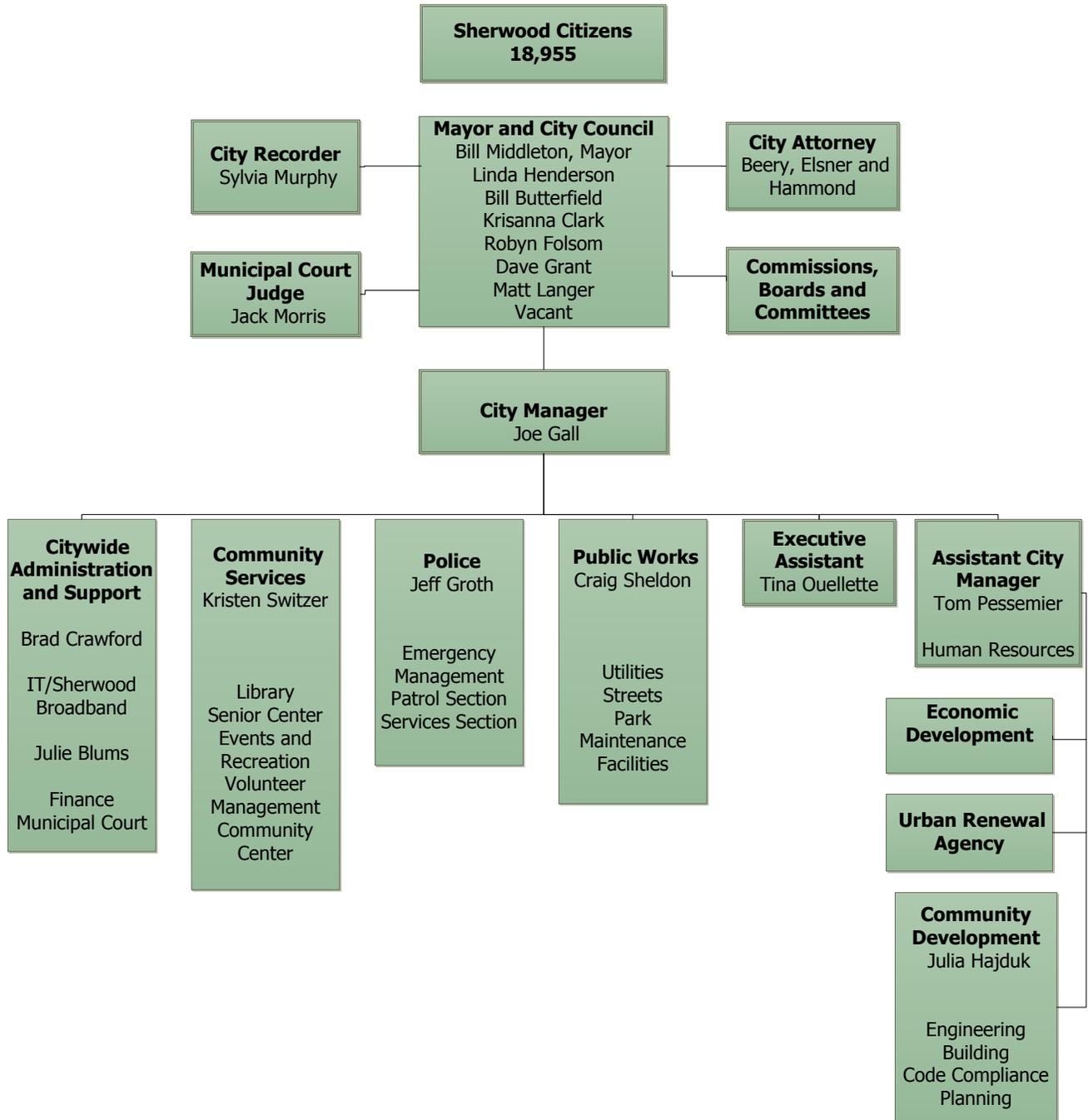
Matt Langer
21315 SW Baler Way
Sherwood, OR 97140
December 31, 2014

Bill Butterfield
23614 SW Heron Lakes Drive
Sherwood, OR 97140
December 31, 2014

PRINCIPAL ADMINISTRATIVE OFFICIALS

Joe Gall, City Manager
Julie Blums, Finance Director

2014 CITY OF SHERWOOD ORGANIZATION CHART



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT



**Talbot, Korvola
& Warwick, LLP**

Certified Public Accountants
& Consultants

ACHIEVE MORE

4800 Meadows Road, Suite 200
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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, 2014, and the related notes to 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITOR'S REPORT (Continued)

City Council
City of Sherwood, Oregon
Page 2

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, 2014, 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.

OTHER MATTERS

Required Supplementary Information

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

Accounting principles generally accepted in the United State 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 a part of the basic financial statements is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT (Continued)

City Council
City of Sherwood, Oregon
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OTHER MATTERS (Continued)

Other Supplementary Information

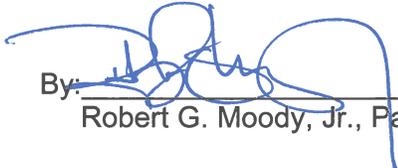
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund statements, schedules and other financial schedules, collectively presented as Other Supplementary Information, as 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 related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical sections 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 December 3, 2014, 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:  _____
Robert G. Moody, Jr., Partner

Lake Oswego, Oregon
December 3, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF SHERWOOD, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

This section of the City of Sherwood's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2014 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, 2014 ("FY14"). 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 of the City exceed total liabilities at the close of FY14 by \$138.9 million (net position). Of this amount, \$11.7 million may be used to meet the City's ongoing obligations to its citizens and creditors (unrestricted net position). Sherwood's net position increased by \$3 million (2.1%) during FY14.
- Current assets were \$31.5 million at the end of FY14. Of that amount, \$30.1 million (95.6%) of current assets were in cash and investments. Sherwood's current assets increased by \$2.5 million (8.6%) during FY14. The primary change is due to an increase in cash from development activity.
- Sherwood had capital assets (net of depreciation) of \$165.9 million at the end of FY14. Sherwood's capital assets decreased by \$0.8 million (0.5%) during FY14. The decrease is due to the disposal of assets, and depreciation.

At the Consolidated Fund Level

- In the aggregate, the governmental funds' ending fund balance was \$13.9 million, an increase of approximately \$1.8 million (14.8%) for the fiscal year.
- In the aggregate, the Enterprise funds' ending fund balance equivalent, *Net Position*, was \$73 million, an increase of \$2 million (2.7%) for the year.
- Total FY14 Property Tax revenue was \$9.25 million, an increase of 10.7% from FY13 levels. This increase is primarily due to growth in property values and the addition of developable land being added to the tax rolls.

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 comprised of three elements.

1. Government-Wide Financial Statements
2. Fund Financial Statements
3. Notes to Basic Financial Statements

CITY OF SHERWOOD, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2014

2. OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

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 do this. 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 ended June 30, 2014.

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-supported functions.

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

Statement of Net Position

Table 1 shows that the City's total net position increased from \$135.9 million to \$138.9 million during FY14. This was an increase of \$3 million or 2.1%.

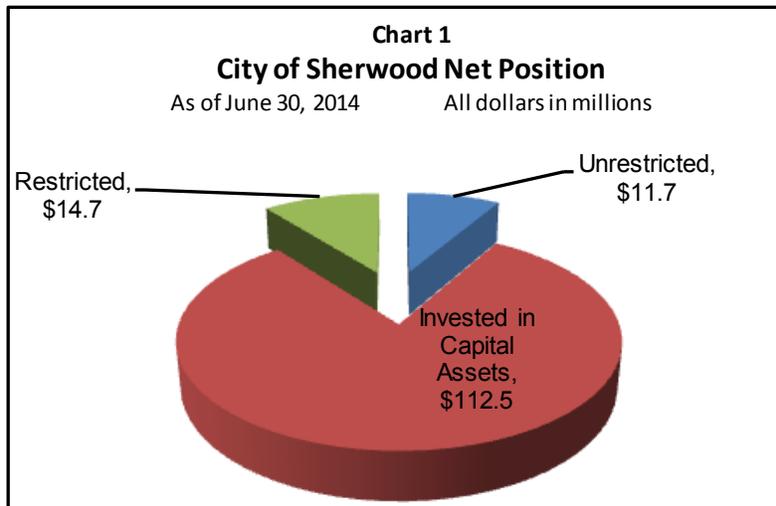
CITY OF SHERWOOD, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2014

2. OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Table 1						
Sherwood's Net Position						
At Fiscal Year End (June 30, 2014 and 2013)						
<i>In Millions of Dollars</i>						
	Governmental Activities		Proprietary Activities		Total	
	2014	2013	2014	2013	2014	2013
ASSETS:						
Current and Other Assets	\$ 17.0	\$ 14.1	\$ 14.5	\$ 14.9	\$ 31.5	\$ 29.0
Capital assets	82.6	84.6	83.2	82.1	165.9	166.7
TOTAL ASSETS	99.6	98.7	97.8	97.0	197.4	195.7
LIABILITIES:						
Current liabilities	6.9	4.0	1.5	1.9	8.5	5.9
Long-term liabilities	26.8	29.9	23.2	24.1	50.1	54.0
TOTAL LIABILITIES	33.7	33.9	24.8	26.0	58.5	59.9
NET POSITION:						
Invested in capital assets,	52.2	52.9	60.3	58.3	112.5	111.2
Restricted	10.2	2.9	4.5	3.9	14.7	6.8
Unrestricted	3.5	9.1	8.2	8.8	11.7	17.9
TOTAL NET POSITION	\$ 65.8	\$ 64.9	\$ 73.0	\$ 71.0	\$ 138.8	\$ 135.9

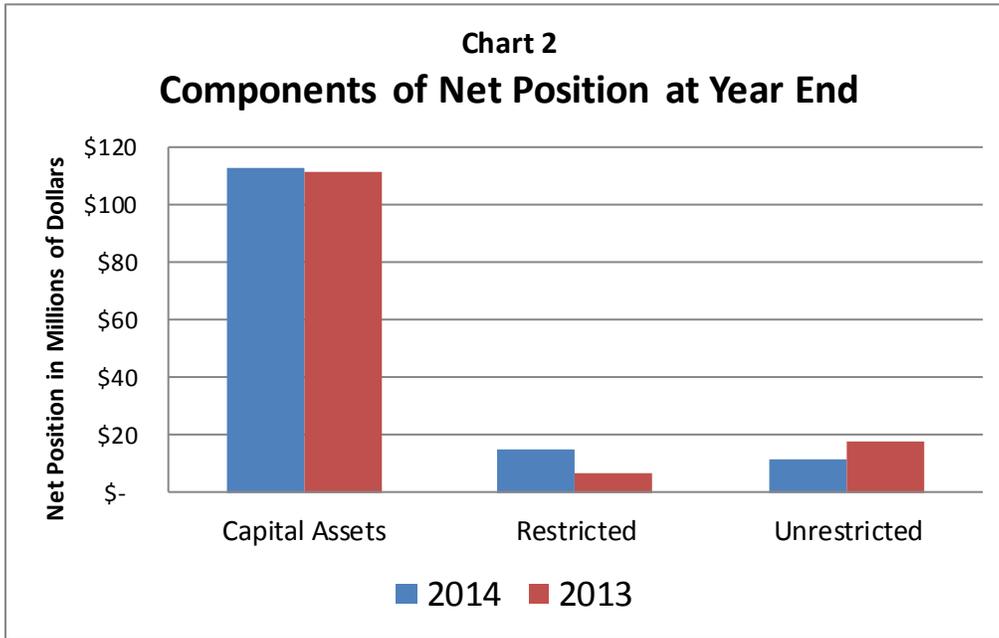
As Chart 1 below shows, the City's net investment in capital assets accounts for the majority of the City's net position. The City has invested \$112.5 million in land, buildings, equipment, and infrastructure (less depreciation and outstanding debt used to acquire those assets). The City uses these assets to provide services to its citizens so they are not assets that are available for future spending. Restricted net position (\$14.7 million) relates to amounts that are legally restricted for specific future obligations. Unrestricted net position (\$11.7 million) is available to meet the City's on-going obligations.



CITY OF SHERWOOD, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2014

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 2014 and 2013. 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 \$3.2 million (19.5%) primarily due to an increase in development and property taxes revenue. Property taxes showed an increase of \$1 million (12%). The increase is due to a rise in property values and the addition of developable land to the tax rolls. Total expenses increased \$2.4 million in FY14 mainly due to increased street maintenance, capital project work, and expensing the remaining balance of amortized debt issuance costs.

Proprietary Activities

- Revenue increased from FY13 by \$2 million (25%).
 - \$1.8 million (180%) in operating contributions from the repayment of cost sharing for the water pipeline to Wilsonville.
 - \$0.1 million (10%) in capital contributions due to increased SDC revenue from development.
 - \$0.1 million (1.4%) in utility rate payer revenue.
- Expenses increased by \$2.2 million (38%), with the depreciation of capital assets mainly in the Water Fund.

CITY OF SHERWOOD, OREGON

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2014**

2. OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Even with all the variances noted above, total revenue for FY14 exceeded total expenses by \$3 million boosting total net position to \$138.9 million at year end.

Table 2						
Statement of Activities						
For the Fiscal Years Ending (June 30, 2014 and 2013)						
<i>In Millions of Dollars</i>						
	Governmental Activities		Proprietary Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
<u>Program Revenues</u>						
Charges for services	\$ 2.8	\$ 2.3	\$ 7.0	\$ 6.9	\$ 9.8	\$ 9.2
Operating grants/contributions	2.8	2.6	1.8	-	4.6	2.6
Capital grants/contributions	2.8	1.2	1.1	1.0	3.9	2.3
<u>General revenues</u>						
Property taxes	9.3	8.3	-	-	9.3	8.3
Franchise fees	1.6	1.6	-	-	1.6	1.6
Other general revenue	0.3	0.3	0.1	0.1	0.4	0.4
Total revenues	\$ 19.6	\$ 16.4	\$ 10.0	\$ 8.0	\$ 29.6	\$ 24.4
Expenses						
<u>Governmental Activities</u>						
Administration	\$ 3.0	\$ 2.9	\$ -	\$ -	\$ 3.0	\$ 2.9
Community development	2.4	3.7	-	-	2.4	3.7
Public safety	3.5	3.3	-	-	3.5	3.3
Community services	1.4	1.4	-	-	1.4	1.4
Public works	7.4	3.8	-	-	7.4	3.8
Interest on long-term debt	0.8	1.1	-	-	0.8	1.1
<u>Proprietary Activities</u>						
Water	-	-	6.1	4.1	6.1	4.1
Sanitary	-	-	0.6	0.5	0.6	0.5
Storm	-	-	1.1	0.9	1.1	0.9
Telecommunications	-	-	0.3	0.2	0.3	0.2
Total expenses	\$ 18.6	\$ 16.2	\$ 8.0	\$ 5.8	\$ 26.5	\$ 21.9
Change in net position	\$ 1.0	\$ 0.2	\$ 2.0	\$ 2.3	\$ 3.0	\$ 2.5
Beginning Net Position	64.9	64.6	71.0	68.8	135.9	133.4
Ending Net Position	\$ 65.9	\$ 64.9	\$ 73.0	\$ 71.0	\$ 138.9	\$ 135.9

CITY OF SHERWOOD, OREGON

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2014**

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.

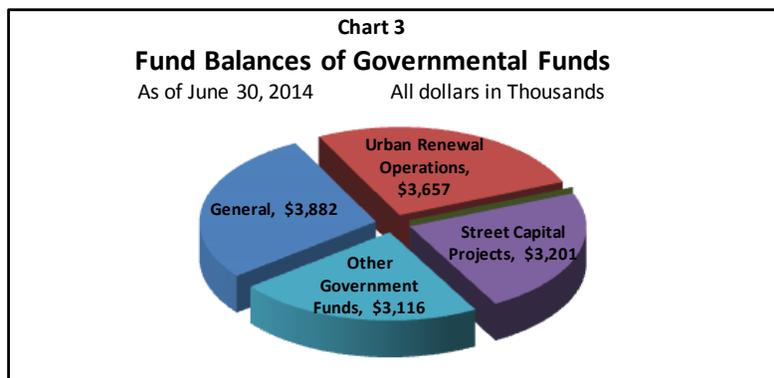
Government Funds in Total

The focus of the government 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: how well does Sherwood balance revenues and the cost of service provision. 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 \$1.8 million (14.8%) as shown in Table 3 below.

Table 3						
Government Funds: Changes in Fund Balance						
Fiscal Year 2014						
	<i>On a Modified Accrual Basis</i>		<i>In Thousands of Dollars</i>			
	General	Urban Renewal Operations	Urban Renewal Capital	Street Capital Projects	Other Government Funds	Totals
Beginning Fund Balances	\$ 3,441	\$ 3,778	\$ 509	\$ 2,195	\$ 2,152	\$ 12,075
Change in Fund Balances	441	(121)	(509)	1,006	964	1,781
Ending Fund Balances June 30, 2014	\$ 3,882	\$ 3,657	\$ -	\$ 3,201	\$ 3,116	\$ 13,856

- The Street Capital Projects Fund experienced the largest swing in fund balance due to the increase in development activity resulting in increased SDC revenue. In this fund revenue is generated and spent on projects, but not necessarily in the same fiscal year.
- The Urban Renewal Operations and Capital fund balances decreased \$630,000 due to the use of fund balance for operational and capital projects.
- The increase in Other Government funds is primarily due to the increase in development activity that resulted in increased SDC revenue for the parks programs.



CITY OF SHERWOOD, OREGON

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2014**

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

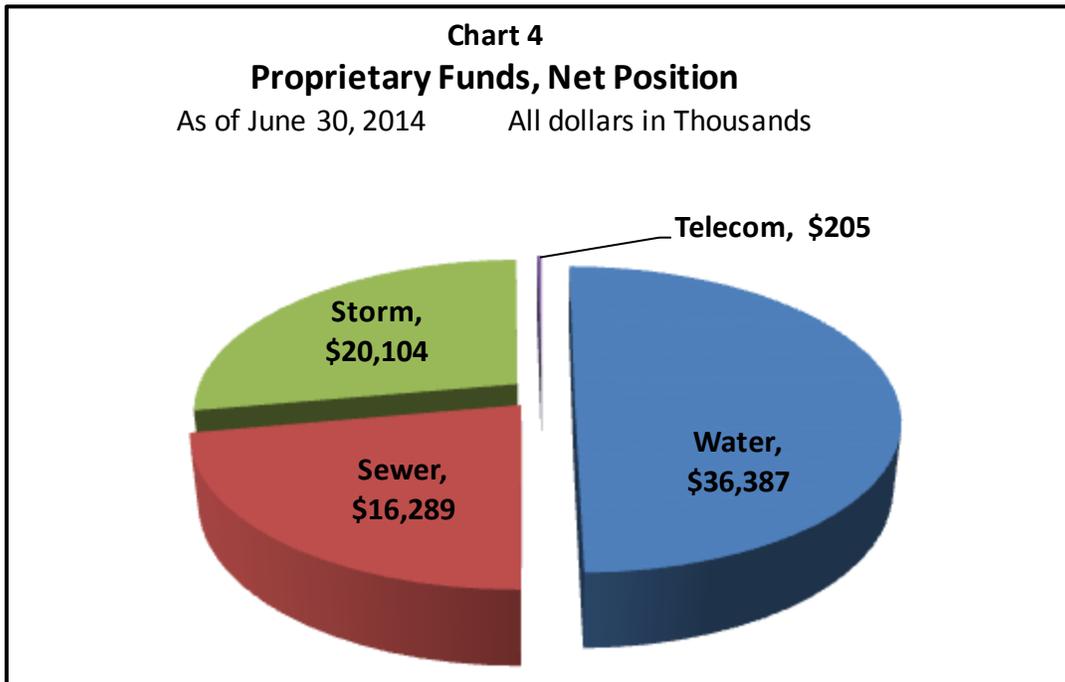
Proprietary Funds

Table 4 and Chart 4 show that ending net position for the proprietary funds ended the year at \$73 million, \$2 million (2.7%) higher than last year.

Changes over FY14 include:

- Water – increase due to an increase in revenue from SDC's
- Sewer – increase due to an increase in revenue from SDC's
- Storm – increase due to an increase in revenue from SDC's
- Telecom – increase due to an increase in revenue from rate payers and a reduction of interfund loans payable to the General Fund

Table 4					
Proprietary Funds, Changes in Net Position					
Fiscal Year 2014					
	<i>On an Accrual Basis</i>			<i>In Thousands of Dollars</i>	
	Water	Sewer	Storm	Non-Major Telecom	Totals
Beginning Net Position	\$ 35,833	\$ 15,734	\$ 19,388	\$ 73	\$ 71,027
Change in Net Position	<u>555</u>	<u>555</u>	<u>716</u>	<u>132</u>	<u>1,959</u>
Net Position June 30, 2014	\$ 36,387	\$ 16,289	\$ 20,104	\$ 205	\$ 72,986



CITY OF SHERWOOD, OREGON

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2014**

4. GENERAL FUND BUDGETARY HIGHLIGHTS

Original Budget Compared to Final Budget. The General Fund budgetary schedule (on page 41) shows that the original budget was altered with both an appropriation transfer and supplemental budget in the amount of \$205,000 total. These changes to the budget were made to accommodate additional legal expenses related to special committees and elections; and for contract services to accommodate the large increase in development activity.

Final Budget Compared to Actual Results. The year-end fund balance was \$0.9 million higher than budgeted contingency with major variances as follows.

Revenue

- Beginning fund balance was \$341 thousand higher than budgeted from savings from the prior fiscal year.
- Building and planning permit revenue was \$300 thousand over budget due to a spike in development activity.
- Court fine revenue was \$118 thousand over budget due to an increase in citations.
- Property tax revenue was \$170 thousand over budget due to developable land being added to the tax rolls.

The consistency of revenues and expenditures illustrates that the City has achieved its goal of financial stability and sustainability. The City has controlled expenditures and nurtured revenues to generate an increase in fund balance each year for the past six years. The fund balance has increased over this period to \$3.55 million (budget-basis).

5. CAPITAL ASSETS

Government wide, capital assets decreased to \$165.8 million in FY14. This was a decrease of \$0.9 million (0.5%).

Table 5							
Government Wide Capital Assets							
Net of Depreciation							
For the Fiscal Years Ending (June 30, 2014 and 2013)							
In Millions of Dollars							
	Governmental Activities		Proprietary Activities		Total		
	2014	2013	2014	2013	2014	2013	
Land	\$ 12.5	\$ 12.5	\$ 0.3	\$ 0.3	\$ 12.8	\$ 12.8	
Intangibles	5.8	5.8	1.5	1.5	7.4	7.3	
Construction In Progress	5.2	4.7	1.2	0.9	6.3	5.6	
Infrastructure	37.7	38.1	79.7	78.8	117.3	116.9	
Buildings & Improvements	20.6	22.4	-	-	20.6	22.4	
Vehicles & Equipment	0.9	1.1	0.6	0.6	1.5	1.7	
Total Capital Assets	\$ 82.6	\$ 84.6	\$ 83.3	\$ 82.1	\$ 165.8	\$ 166.7	
Accumulated Depreciation	\$ 44.3	\$ 41.2	\$ 10.8	\$ 9.8	\$ 55.0	\$ 51.0	

CITY OF SHERWOOD, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2014

5. CAPITAL ASSETS (Continued)

Major changes to capital assets are as follows:

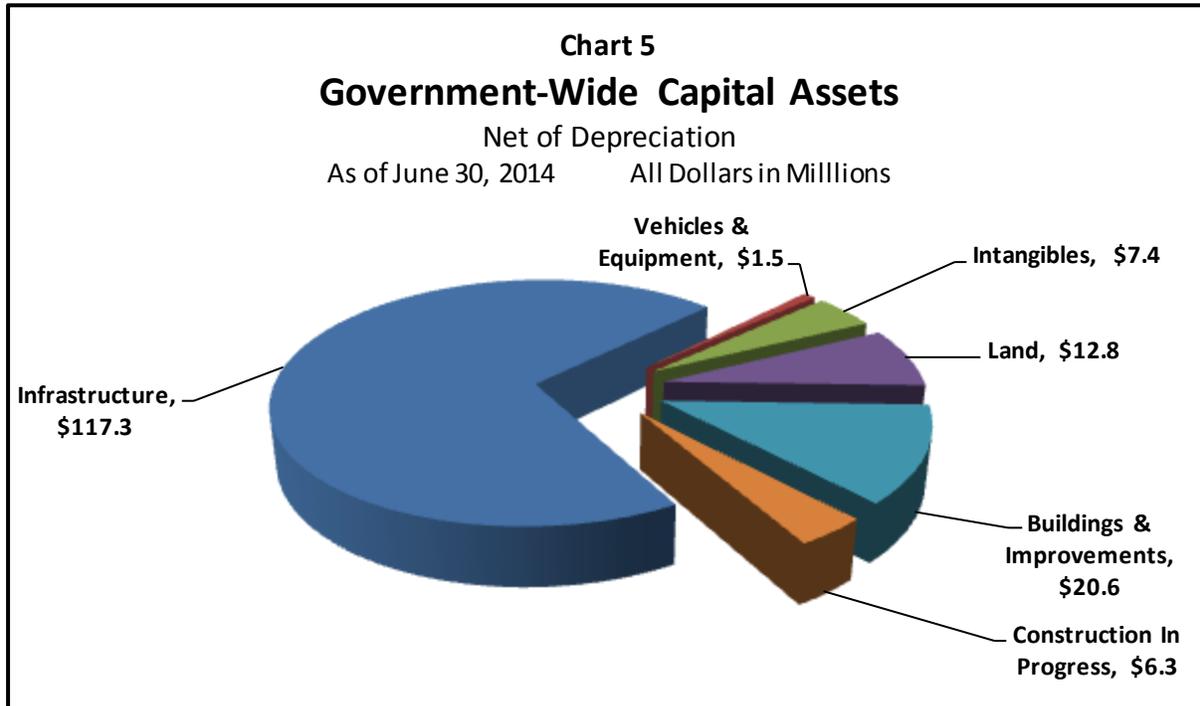
Governmental Activities

- Construction of new streets, \$2.6 million
- Remodel at the Senior Center, \$0.2 million
- Murdock Park Play Structure, \$0.1 million
- Turf Replacement at Snyder Park, \$0.4 million
- Community Center, \$2.5 million
- Transfer of Assets to the Sherwood School District, \$1.8 million

Proprietary Activities

- Final Segment of Water pipeline to Wilsonville, \$1.1 million
- Contributed Infrastructure from Private Developers, \$0.1 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 (Continued)
JUNE 30, 2014**

6. DEBT OUTSTANDING

On June 30, 2014, the City had a long term debt obligation of \$49.1 million. Of this amount, \$3.4 million will be serviced by dedicated property taxes and \$21.2 million will be serviced by tax increment revenues. \$24.4 million is categorized as full faith and credit obligations, but is being serviced from building rents, systems development charges, and utility rate revenue. \$0.1 million is for capital leases on a phone system and police vehicles.

Outstanding Debt decreased by the principal payments made on debt in FY14. Additional information regarding the City's long-term obligations may be found in Note II.D. of the Notes to Basic Financial Statements.

Table 6						
Outstanding Debt at Fiscal Year End						
For the Fiscal Years Ending (June 30, 2014 and 2013)						
<i>In Millions of Dollars</i>						
	Governmental Activities		Proprietary Activities		Total	
	2014	2013	2014	2013	2014	2013
Full Faith and Credit	\$ 0.5	\$ 0.7	\$ 23.9	\$ 24.7	\$ 24.4	\$ 25.4
General Obligation Bonds	3.4	4.2	-	-	3.4	4.2
Tax Increment Revenue	21.2	22.1	-	-	21.2	22.1
Capital Leases	0.1	0.1	-	-	0.1	0.1
Total Outstanding Debt	\$ 25.2	\$ 27.1	\$ 23.9	\$ 24.7	\$ 49.1	\$ 51.8

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The primary economic factor influencing the City of Sherwood budget is growth. Current and foreseeable future growth has increased having a moderate impact on the City's revenue. Fiscal year 2014-15 property tax receipts are projected to be higher than last year's as new properties are added to the tax rolls. The 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.

The fees required to support the City's proprietary activities have been updated in recent years to support those functions.

Management is considering a 2 to 3% increase in materials and services costs for the FY15 budget.

CITY OF SHERWOOD, OREGON

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2014**

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

Personal services costs are projected to increase by about 5%. This increase is based on known retirement system contribution costs, estimated costs of merit increases and cost-of-living adjustments and an anticipated increase in the cost of medical insurance. Additional staffing has been added for FY15 to manage the increase in demand for service related to development activity.

The one area that is improving is commercial and residential development. The City's planning department has had interactions with developers regarding several pending residential and commercial developments. Indications from the developers are that improved economic factors will be the determinative role in the execution of those projects.

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 the City's Director of Finance at 22560 SW Pine Street, Sherwood Oregon, 97140 or blumsj@sherwoodoregon.gov.

BASIC FINANCIAL STATEMENTS

CITY OF SHERWOOD
Sherwood, Oregon

STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Proprietary Activities	Total
ASSETS:			
Cash and investments	\$ 5,657,841	\$ 8,574,203	\$ 14,232,044
Restricted cash	10,186,603	5,653,920	15,840,523
Receivables, net	781,821	641,527	1,423,348
Internal balances	328,233	(328,233)	-
Capital assets:			
Land, improvements and construction in progress	23,421,298	2,884,141	26,305,439
Other capital assets, net	59,216,783	80,331,972	139,548,755
	TOTAL ASSETS	99,592,579	197,350,109
LIABILITIES:			
Accounts payable	2,562,374	85,122	2,647,496
Other liabilities	110,955	271,423	382,378
Accrued interest	169,487	269,303	438,790
Long-term obligations:			
Due within one year	4,036,277	917,985	4,954,262
Due in more than one year	26,828,454	23,228,473	50,056,927
	TOTAL LIABILITIES	24,772,306	58,479,853
NET POSITION:			
Net investment in capital assets	52,214,555	60,286,219	112,500,774
Restricted			
Capital assets	10,174,585	4,508,411	14,682,996
Debt service	10,101	-	10,101
Unrestricted	3,485,791	8,190,594	11,676,385
	TOTAL NET POSITION	\$ 72,985,224	\$ 138,870,257

See notes to basic financial statements.

CITY OF SHERWOOD
Sherwood, Oregon

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

ACTIVITIES	Program Revenues				Net Revenue (Expense) and Change in Net Position		Totals
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Proprietary Activities	
Primary government:							
Governmental activities:							
Administration	\$ 3,029,706	\$ 1,126,323	\$ 481,710	\$ -	\$ (1,421,673)	\$ -	\$ (1,421,673)
Community Development	2,362,541	687,417	16,453	2,832,896	1,174,225	-	1,174,225
Public Safety	3,535,649	8,303	64,242	-	(3,463,104)	-	(3,463,104)
Community Services	1,423,661	335,297	741,151	-	(347,213)	-	(347,213)
Public Works	7,414,223	632,329	1,464,590	3,351	(5,313,953)	-	(5,313,953)
Interest on long-term obligations	809,553	-	-	-	(809,553)	-	(809,553)
Total governmental activities	<u>18,575,333</u>	<u>2,789,669</u>	<u>2,768,146</u>	<u>2,836,247</u>	<u>(10,181,271)</u>	<u>-</u>	<u>(10,181,271)</u>
Proprietary activities:							
Water	6,062,543	4,436,294	1,390,365	753,655	-	517,771	517,771
Sewer	610,702	575,710	416,201	153,285	-	534,494	534,494
Storm	1,094,161	1,619,100	-	178,803	-	703,742	703,742
Telecommunications	253,373	385,288	-	-	-	131,915	131,915
Total proprietary activities	<u>8,020,779</u>	<u>7,016,392</u>	<u>1,806,566</u>	<u>1,085,743</u>	<u>-</u>	<u>1,887,922</u>	<u>1,887,922</u>
Total	<u>\$ 26,596,112</u>	<u>\$ 9,806,061</u>	<u>\$ 4,574,712</u>	<u>\$ 3,921,990</u>	<u>(10,181,271)</u>	<u>1,887,922</u>	<u>(8,293,349)</u>
GENERAL REVENUES							
Property taxes					9,278,943	-	9,278,943
Franchise taxes and fees					1,592,483	-	1,592,483
Unrestricted interest earnings					77,077	69,954	147,031
Miscellaneous					260,899	-	260,899
Total General Revenues					<u>11,209,402</u>	<u>69,954</u>	<u>11,279,356</u>
CHANGE IN NET POSITION					<u>1,028,131</u>	<u>1,957,876</u>	<u>2,986,007</u>
NET POSITION, June 30, 2013					<u>64,856,901</u>	<u>71,027,349</u>	<u>135,884,250</u>
NET POSITION, June 30, 2014					<u>\$ 65,885,032</u>	<u>\$ 72,985,224</u>	<u>\$ 138,870,257</u>

See notes to basic financial statements.

CITY OF SHERWOOD
Sherwood, Oregon

GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2014

	General Fund	Urban Renewal Operations Fund	Urban Renewal Capital Fund	Street Capital Fund	Other Nonmajor Governmental Funds	Totals
ASSETS:						
Cash and investments	\$ 5,657,841	\$ -	\$ -	\$ -	\$ -	\$ 5,657,841
Restricted cash	209,973	3,646,911	38,290	3,201,383	3,090,046	10,186,603
Receivables	560,507	176,475	-	-	44,839	781,821
Interfund loan receivable	328,233	-	-	-	-	328,233
TOTAL ASSETS	<u>\$ 6,756,554</u>	<u>\$ 3,823,386</u>	<u>\$ 38,290</u>	<u>\$ 3,201,383</u>	<u>\$ 3,134,885</u>	<u>\$ 16,954,498</u>
LIABILITIES:						
Accounts payable	\$ 2,562,374	\$ -	\$ -	\$ -	\$ -	\$ 2,562,374
Other current liabilities	54,082	-	38,290	-	18,583	110,955
TOTAL LIABILITIES	<u>2,616,456</u>	<u>-</u>	<u>38,290</u>	<u>-</u>	<u>18,583</u>	<u>2,673,329</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	258,520	166,358	-	-	-	424,878
FUND BALANCES:						
Nonspendable in form	328,233	-	-	-	-	328,233
Restricted for:						
Capital Projects	209,973	3,657,028	-	3,201,383	3,106,201	10,174,585
Debt Service	-	-	-	-	10,101	10,101
Committed to:						
School Dist	7,230	-	-	-	-	7,230
Assigned to:						
Cultural Arts	139	-	-	-	-	139
Unassigned	3,336,003	-	-	-	-	3,336,003
TOTAL FUND BALANCES	<u>3,881,578</u>	<u>3,657,028</u>	<u>-</u>	<u>3,201,383</u>	<u>3,116,302</u>	<u>13,856,291</u>
TOTAL LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 6,756,554</u>	<u>\$ 3,823,386</u>	<u>\$ 38,290</u>	<u>\$ 3,201,383</u>	<u>\$ 3,134,885</u>	<u>\$ 16,954,498</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, 2014**

TOTAL FUND BALANCE		\$ 13,856,291
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	\$ 126,932,370	
Accumulated depreciation	<u>(44,294,288)</u>	82,638,082
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 not reported in the governmental funds.		
		424,878
Compensated absences not payable in the current year are not recorded as governmental fund liabilities.		
		(437,597)
Long-term assets, are not reported as governmental fund assets and 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 long-term assets and liabilities consist of:		
Bonds and notes payable	\$ (25,152,713)	
Capital Leases	(79,727)	
SDC credits	(4,804,634)	
Premium on bonds	(390,061)	
Accrued interest payable	<u>(169,487)</u>	<u>(30,596,622)</u>
Total		
TOTAL NET POSITION		<u>\$ 65,885,032</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, 2014**

	General Fund	Urban Renewal Operations Fund	Urban Renewal Capital Fund	Street Capital Fund	Other Nonmajor Governmental Funds	Totals
REVENUES:						
Property Taxes	\$ 4,587,058	\$ 3,771,424	\$ -	\$ -	\$ 892,000	\$ 9,250,482
Franchises and fees	1,592,483	-	-	-	-	1,592,483
Intergovernmental	1,537,048	-	-	-	1,231,097	2,768,145
Charges for services	1,104,636	-	-	54,090	601,892	1,760,618
Infrastructure Development Fees	270,878	-	-	1,561,856	1,003,512	2,836,246
Fines and forfeitures	1,029,052	-	-	-	-	1,029,052
Interest on investments	21,124	25,986	2,237	13,858	13,872	77,077
Miscellaneous	208,899	-	-	-	52,000	260,899
TOTAL REVENUES	10,351,178	3,797,410	2,237	1,629,804	3,794,373	19,575,002
EXPENDITURES:						
Current:						
Administration	2,332,762	114,784	-	-	-	2,447,546
Community Development	1,126,553	-	-	-	-	1,126,553
Public Safety	3,485,772	-	-	-	-	3,485,772
Community Services	1,169,915	-	-	-	-	1,169,915
Public Works	1,521,970	-	-	-	1,594,864	3,116,834
Noncurrent						
Capital Outlay	64,789	-	2,910,628	407,633	401,563	3,784,613
Debt Service - Principal	115,010	931,517	-	-	794,990	1,841,517
Debt Service - Interest	23,336	652,818	-	-	145,083	821,237
TOTAL EXPENDITURES	9,840,107	1,699,119	2,910,628	407,633	2,936,500	17,793,987
Excess (deficiency) of revenues over expenditures	511,071	2,098,291	(2,908,391)	1,222,171	857,873	1,781,015
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	2,399,487	-	106,239	2,505,726
Transfers out	(70,026)	(2,219,502)	-	(216,198)	-	(2,505,726)
TOTAL OTHER FINANCING SOURCES (USES)	(70,026)	(2,219,502)	2,399,487	(216,198)	106,239	-
NET CHANGE IN FUND BALANCES	441,045	(121,211)	(508,904)	1,005,973	964,112	1,781,015
FUND BALANCES, beginning of year	3,440,533	3,778,239	508,904	2,195,410	2,152,190	12,075,276
FUND BALANCES, end of year	\$ 3,881,578	\$ 3,657,028	\$ -	\$ 3,201,383	\$ 3,116,302	\$ 13,856,291

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, 2014**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 1,781,015

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	\$ 3,910,974	
Depreciation	<u>(4,965,262)</u>	(1,054,288)

Contributions of capital assets are not recorded as revenues in the fund statements		24,019
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Other transactions related to capital assets not reported in the fund statements		(953,858)
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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.		28,461
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SDC credits issued are not reported in the fund statements, but increase long term liabilities in the Statement of Net Position.		(377,620)
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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	66,091	
Principal on bonds and notes	<u>1,841,517</u>	1,949,964

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.

Accrued interest	11,685	
Write off of issuance costs	(352,179)	
Compensated absences	<u>(29,068)</u>	<u>(369,562)</u>

CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 1,028,131</u>
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CITY OF SHERWOOD
Sherwood, Oregon

ENTERPRISE FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2014

	Water	Sewer	Storm	Nonmajor Fund	Totals
ASSETS:					
Current assets:					
Cash and investments	\$ 5,800,037	\$ 484,976	\$ 2,228,321	\$ 60,869	\$ 8,574,203
Restricted cash	2,469,410	2,865,741	318,769	-	5,653,920
Receivables, net	291,265	221,934	117,943	10,385	641,527
Total current assets	8,560,712	3,572,651	2,665,033	71,254	14,869,650
Noncurrent assets:					
Capital assets:					
Land, improvements and construction in progress	353,381	1,839,599	691,161	-	2,884,141
Other capital assets, net	51,930,893	11,094,656	16,842,430	463,993	80,331,972
Total capital assets	52,284,274	12,934,255	17,533,591	463,993	83,216,113
TOTAL ASSETS	60,844,986	16,506,906	20,198,624	535,247	98,085,763
LIABILITIES:					
Current liabilities:					
Accounts payable	85,122	-	-	-	85,122
Other current liabilities	54,409	202,429	14,581	4	271,423
Current portion of long-term obligations	893,694	6,187	17,275	829	917,985
Accrued interest payable	269,303	-	-	-	269,303
Interfund loan payable	-	-	-	328,233	328,233
Total current liabilities	1,302,528	208,616	31,856	329,066	1,872,066
Long-term liabilities	23,154,970	9,281	62,979	1,243	23,228,473
TOTAL LIABILITIES	24,457,498	217,897	94,835	330,309	25,100,539
NET POSITION:					
Net investment in capital assets	29,415,745	12,934,255	17,472,226	463,993	60,286,219
Restricted for capital improvements	1,323,901	2,865,741	318,769	-	4,508,411
Unrestricted	5,647,842	489,013	2,312,794	(259,055)	8,190,594
TOTAL NET POSITION	\$ 36,387,488	\$ 16,289,009	\$ 20,103,789	\$ 204,938	\$ 72,985,224

See notes to basic financial statements.

CITY OF SHERWOOD
Sherwood, Oregon

ENTERPRISE FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR YEAR ENDED JUNE 30, 2014

	Water	Sewer	Storm	Nonmajor Fund	Totals
OPERATING REVENUES:					
Intergovernmental	\$ 1,390,365	\$ 416,201	\$ -	\$ -	\$ 1,806,566
Charges for services	4,436,294	575,710	1,619,100	385,288	7,016,392
TOTAL OPERATING REVENUES	5,826,659	991,911	1,619,100	385,288	8,822,958
OPERATING EXPENSES:					
Personal services	559,778	240,655	338,684	42,280	1,181,397
Materials and services	3,791,347	200,497	553,004	185,873	4,730,721
Depreciation	736,223	169,550	202,473	22,651	1,130,897
TOTAL OPERATING EXPENSES	5,087,348	610,702	1,094,161	250,804	7,043,015
OPERATING INCOME	739,311	381,209	524,939	134,484	1,779,943
NONOPERATING INCOME (EXPENSE):					
System Development Fees	713,041	59,565	163,421	-	936,027
Interest Expense	(975,195)	-	-	(2,569)	(977,764)
Interest Earnings	36,829	20,487	12,292	346	69,954
TOTAL NONOPERATING INCOME (EXPENSE)	(225,325)	80,052	175,713	(2,223)	28,218
INCOME (LOSS) BEFORE CONTRIBUTIONS	513,986	461,261	700,652	132,261	1,808,160
CONTRIBUTIONS					
Capital Contributions	40,614	93,720	15,382	-	149,716
CHANGE IN NET POSITION	554,600	554,981	716,034	132,261	1,957,876
NET POSITION, June 30, 2013	35,832,888	15,734,028	19,387,756	72,677	71,027,349
NET POSITION, June 30, 2014	\$ 36,387,488	\$ 16,289,009	\$ 20,103,789	\$ 204,938	\$ 72,985,224

See notes to basic financial statements.

CITY OF SHERWOOD
Sherwood, Oregon

ENTERPRISE FUNDS
STATEMENT OF CASH FLOWS
JUNE 30, 2014

	Water	Sewer	Storm	Nonmajor Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers	\$ 6,191,852	\$ 1,054,973	\$ 1,626,969	\$ 393,718	\$ 9,267,512
Payments to suppliers	(2,630,164)	(395,470)	(585,392)	(187,775)	(3,798,801)
Payments to employees	(562,347)	(238,046)	(338,536)	(41,715)	(1,180,644)
NET CASH FROM OPERATING ACTIVITIES	<u>2,999,341</u>	<u>421,457</u>	<u>703,041</u>	<u>164,228</u>	<u>4,288,067</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of capital assets	(1,251,128)	(738,012)	(211,079)	-	(2,200,219)
System development charges	703,321	59,565	173,141	-	936,027
Principal paid on long-term obligations	(858,049)	-	-	(147,431)	(1,005,480)
Interest paid on long-term obligations	(989,946)	-	-	(2,569)	(992,515)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,395,802)</u>	<u>(678,447)</u>	<u>(37,938)</u>	<u>(150,000)</u>	<u>(3,262,187)</u>
CASH FLOWS FROM INVESTMENT ACTIVITIES					
Due from other governments	1,387,807	-	-	-	1,387,807
Interest earnings	36,829	20,487	12,292	346	69,954
NET CASH FROM INVESTING ACTIVITIES	<u>1,424,636</u>	<u>20,487</u>	<u>12,292</u>	<u>346</u>	<u>1,457,761</u>
NET INCREASE (DECREASE) IN CASH	2,028,175	(236,503)	677,395	14,574	2,483,641
CASH AND CASH EQUIVALENTS, beginning of year	<u>6,241,272</u>	<u>3,587,220</u>	<u>1,869,695</u>	<u>46,295</u>	<u>11,744,482</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 8,269,447</u>	<u>\$ 3,350,717</u>	<u>\$ 2,547,090</u>	<u>\$ 60,869</u>	<u>\$ 14,228,123</u>
RECONCILIATION TO THE STATEMENT OF NET POSITION					
Operating income	\$ 739,311	\$ 381,209	\$ 524,939	\$ 134,484	\$ 1,779,943
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	736,223	169,550	202,473	22,651	1,130,897
Loss on disposal of assets	87,854	-	-	-	87,854
Write off of issuance costs	319,183	-	-	-	319,183
Decrease (increase) in assets					
Prepays	1,191,759	-	-	-	1,191,759
Receivables, net	46,010	63,062	7,869	8,430	125,371
Increase (decrease) in liabilities					
Accounts payable	(108,180)	(10,203)	(8,539)	(1,902)	(128,824)
Compensated absences payable	(2,569)	2,609	148	565	753
Other current liabilities	(10,250)	(184,770)	(23,849)	-	(218,869)
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 2,999,341</u>	<u>\$ 421,457</u>	<u>\$ 703,041</u>	<u>\$ 164,228</u>	<u>\$ 4,288,067</u>
Summary of non-cash transactions:					
Contributions of capital assets from developers	\$ 40,614	\$ 93,720	\$ 15,382	\$ -	\$ 149,716

See notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of Sherwood is a municipal corporation governed by an elected mayor and six-member council. The City is managed by a City Manager who reports to the Council.

The accompanying 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 proprietary. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from proprietary 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 proprietary 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 enterprise 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 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 equity, revenues and expenditures/expenses.

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2014

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, or either fund category or the governmental and enterprise 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.

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

Urban Renewal Capital: The Urban Renewal Capital Fund records revenue used to acquire land and build URA capital construction projects.

Street Capital Projects: The Street Capital Fund records infrastructure development fees to fund street capital construction projects.

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

Special revenue: Governmental fund type used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or 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.

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

Proprietary Funds:

Proprietary funds are used to account for the acquisition, operation and maintenance of sewer, storm drainage, water systems, and telecommunications 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, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic financial statements (Continued)

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

The following is reported as a non-major proprietary fund:

- Telecommunications Fund – This fund accounts for the City's telecommunications 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 30 days of the end of the current fiscal year.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Property taxes, intergovernmental and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of 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, 2014**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement focus and basis of accounting (Continued)

A deferred inflow of resources in the form of 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

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.

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 equity

1. Cash and investments

Cash and investments include cash on hand, demand deposits, and balances in the Oregon State Treasury's Local Government Investment Pool (LGIP). LGIP balances can be withdrawn with one day's notice. The LGIP operates in accordance with appropriate state laws and regulations. Reported values of the City's share of the LGIP approximate fair value.

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

Accounts payable to vendors and contractors include general accounts payable, retainage payable, deposits payable and other accrued liabilities not included in short-term or long-term liabilities.

3. *Capital assets*

Capital assets are reported in the applicable governmental or proprietary activities columns in the government-wide financial statements and in the enterprise 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 estimated fair market value at the date of donation. 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.

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

3. Capital assets (Continued)

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 with respect to governmental activities.

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, proprietary 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.

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. *System development charge credits*

Developers may be required to construct public improvements such as storm drains, sewer lines, and streets as part of a new housing or commercial development. The developers can apply for system development charge (SDC) credits for eligible costs of those improvements. Future SDC charges can be offset by using SDC credits that had been previously granted. The credits granted are useable for 7 years after acceptance of the public improvements by the City. Any credits not used by then expire. Unused credits are considered a long-term liability and are reported in the entity-wide statement of net position, and in the enterprise fund financial statements.

7. *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.
- 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.

CITY OF SHERWOOD, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2014**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and liabilities, the disclosure of contingent assets and liabilities 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 departments which reflect City programs and managerial responsibilities. These are grouped into five divisions for purposes of appropriations. The divisions are; Administration, Community Development, Public Safety, Community Services, and Public Works,

All governmental funds, other than the General Fund, are appropriated at the category level, for personal services, materials and services, capital outlay, debt service, transfers out and contingency.

The Water, Sanitary, and Storm Enterprise funds are appropriated by the operations or capital programs. The Telecommunications fund is appropriated at the category level.

Expenditures cannot exceed appropriations at these legal levels of control. Management may amend line items in the budget without City Council approval so 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 was one appropriation transfer and one supplemental budget approved by the Council during the year.

All appropriations lapse at fiscal year-end.

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.

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2014

II. DETAILED NOTES ON ALL FUNDS

A. Cash and investments

Cash and investments are reflected on the Statement of Net Position at June 30, 2014 as follows:

Governmental Activities	\$ 15,844,444
Proprietary Activities	14,228,123
	<u>\$ 30,072,567</u>
Cash and investments consist of:	
Petty cash	\$ 900
Deposits with financial institutions	1,253,746
Investments	
Local Government Investment Pool	<u>28,817,921</u>
	<u>\$ 30,072,567</u>

1. *Custodial Risk – Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. At June 30, 2014, the City had deposits with financial institutions totaling \$1,613,474, of which \$250,000 is insured by federal depository insurance.

Institutions with deposits in excess of FDIC coverage participate in the Oregon Public Funds Collateralization Program (PFCP) as defined in Oregon Revised Statutes (ORS) 295. This provides additional protection for public funds in the event of a bank loss, although it does not guarantee 100 percent protection. The Office of the State Treasurer categorizes the financial institutions in Oregon. Based on that categorization, banks must pledge collateral valued at between 10 percent and 110 percent of their public fund deposits. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities. The Office of the State Treasurer maintains a list of qualified financial institutions for the deposit of public funds in excess of FDIC insurance. The financial institutions holding City deposits are all on the State Treasurer's list.

2. *Investments*

State statutes authorize the City to invest primarily in general obligations of the U.S. government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial paper and corporate bonds and the State of Oregon Local Government Investment Pool.

Custodial Risk – Investments

For an investment, this is the risk that, in the event of a failure of the counterparty, the City will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. The City has no investments that are subject to custodial credit risk.

CITY OF SHERWOOD, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2014**

II. DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash and investments (Continued)

The City participates in the Oregon State Treasurer's Local Government Investment Pool (LGIP), an open-ended; no-load diversified portfolio created under ORS 294.805 to 294.895 that is not registered with the U.S. Securities and Exchange Commission as an investment company. The LGIP is administered by the State Treasurer and the Oregon Investment Council with the advice of the Oregon Short-Term Fund Board. These funds must be invested and managed, as a prudent investor would, exercising reasonable care, skill and caution. The Oregon Audits Division of the Secretary of State's Office audits the LGIP annually. Value of pool shares approximates fair value. The portion of the external investment pool belonging 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 online at www.ost.state.or.us or by mail at the Oregon State Treasurer, 350 Winter St. NE, Salem, Oregon 97310-0840.

B. Receivables

Receivables as of June 30, 2014, net of allowance for uncollectible amounts, are as follows:

	Governmental Funds	Business Type Funds	Total
Receivables:			
Property taxes	\$ 449,929	\$ -	\$ 449,929
Court Fines	1,360,641	-	1,360,641
Utility Bills	51,019	497,492	548,511
Utility Bills for CWS	-	201,055	201,055
Sherwood Broadband	-	10,385	10,385
Sherwood School District	87,486	-	87,486
Sports League Fees	22,273	-	22,273
4th Qtr Franchise Fees	6,840	-	6,840
Miscellaneous	7,644	-	7,644
Gross Receivables	1,985,832	708,932	2,694,764
Less: allowance for uncollectables			
Court	(1,197,111)	-	(1,197,111)
Utility Bills	(6,900)	(67,405)	(74,305)
Net Receivables	\$ 781,821	\$ 641,527	\$ 1,423,348

CITY OF SHERWOOD, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2014**

II. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital assets

Capital assets for governmental activities for the year ended June 30, 2014 are as follows:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 12,491,933	\$ -	\$ -	\$ 12,491,933
Intangibles (easements)	5,750,512	3,608	-	5,754,120
Construction work in progress	4,744,286	3,840,187	(3,409,228)	5,175,245
	<u>22,986,731</u>	<u>3,843,795</u>	<u>(3,409,228)</u>	<u>23,421,298</u>
Total capital assets not being depreciated				
Capital assets being depreciated:				
Infrastructure	64,896,627	2,658,804	-	67,555,431
Buildings and improvements	34,707,849	784,025	(2,536,324)	32,955,550
Machinery and equipment	1,900,187	57,596	(251,556)	1,706,227
Licensed vehicles	1,316,135	-	(22,273)	1,293,862
	<u>102,820,798</u>	<u>3,500,426</u>	<u>(2,810,152)</u>	<u>103,511,072</u>
Total capital assets being depreciated				
Less accumulated depreciation:				
Infrastructure	26,751,160	3,121,409	-	29,872,569
Buildings and improvements	12,357,371	1,619,311	(1,609,794)	12,366,888
Machinery and equipment	1,184,052	125,805	(225,427)	1,084,430
Licensed vehicles	892,738	98,737	(21,073)	970,402
	<u>41,185,321</u>	<u>4,965,262</u>	<u>(1,856,295)</u>	<u>44,294,288</u>
Total accumulated depreciation				
Total capital assets being depreciated, net	61,635,478	(1,464,836)	(953,858)	59,216,783
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Governmental activities capital assets, net	<u>\$ 84,622,208</u>	<u>\$ 2,378,959</u>	<u>\$ (4,363,086)</u>	<u>\$ 82,638,082</u>
Governmental activities:				
Administration		\$ 387,680		
Community development		135,840		
Public safety		90,337		
Community services		246,461		
Public works		<u>4,104,944</u>		
Total depreciation expense - governmental activities		<u>\$ 4,965,262</u>		

CITY OF SHERWOOD, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2014**

II. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital assets (Continued)

Capital assets for proprietary activities for the year ended June 30, 2014 are as follows:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Proprietary activities				
Capital assets not being depreciated:				
Land	\$ 298,289	\$ -	\$ -	\$ 298,289
Intangibles (easements)	1,466,529	30,082	-	1,496,611
Construction work in progress	847,536	2,058,297	(1,816,590)	1,089,243
	<u>2,612,354</u>	<u>2,088,379</u>	<u>(1,816,590)</u>	<u>2,884,141</u>
Total capital assets not being depreciated				
Capital assets being depreciated:				
Infrastructure	87,099,418	1,970,646	(52,145)	89,017,919
Buildings and improvements	57,065	-	(45,743)	11,322
Machinery and equipment	1,675,211	85,247	(168,547)	1,591,911
Licensed vehicles	443,058	22,253	-	465,311
	<u>89,274,752</u>	<u>2,078,146</u>	<u>(266,435)</u>	<u>91,086,463</u>
Total capital assets being depreciated				
Less accumulated depreciation:				
Infrastructure	8,288,525	1,033,739	(20,175)	9,302,089
Buildings and improvements	22,401	2,289	(22,027)	2,663
Machinery and equipment	1,268,806	65,580	(136,379)	1,198,008
Licensed vehicles	222,442	29,289	-	251,731
	<u>9,802,175</u>	<u>1,130,897</u>	<u>(178,581)</u>	<u>10,754,491</u>
Total accumulated depreciation				
Total capital assets being depreciated, net	79,472,577	947,249	(87,854)	80,331,972
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Proprietary activities capital assets, net	<u>\$ 82,084,930</u>	<u>\$ 3,035,628</u>	<u>\$ (1,904,445)</u>	<u>\$ 83,216,114</u>
Proprietary activities:				
Water		\$ 736,223		
Sanitary		169,550		
Storm		202,473		
Telecom		<u>22,651</u>		
Total depreciation expense - proprietary activities		<u>\$ 1,130,897</u>		

CITY OF SHERWOOD, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2014**

II. DETAILED NOTES ON ALL FUNDS (Continued)

D. Long-term liabilities

1. Debt outstanding

The City uses general obligation bonds and long-term loans to finance construction and acquisition of major capital facilities. General obligation bonds pledge the City's ability to levy property taxes; long-term notes pledge the full faith and credit of the City.

In 2011 the City obtained an \$8,500,000 loan through the State of Oregon Infrastructure Financing Authority (IFA) for the Cannery projects in the URA. Debt service is paid with tax increment proceeds. As of June 30, 2014 the City has taken draws totaling \$5,898,888 from this loan, leaving a balance of \$2,601,112 to be used for Cannery projects.

Bonds and loans outstanding and the changes in long-term liabilities for the year ended June 30, 2014 are as follows. Note that stated interest rates relate to identified maturities and the City holds no variable interest obligations.

	Original Amount	Outstanding June 30, 2013	Issued	Matured/ Redeemed During Year	Outstanding June 30, 2014	Due Within One Year
Governmental activities						
General Obligation Bonds						
2004 A&B Refunding (interest 1-3.8%)	\$ 6,045,000	\$ 2,285,000	\$ -	\$ (540,000)	\$ 1,745,000	\$ 560,000
2011 Police Refunding (interest 2-4.04%)	2,305,000	1,895,000	-	(215,000)	1,680,000	220,000
2011 Capital Lease for Phone System	118,200	42,873	-	(25,109)	17,764	17,764
2012 Capital Lease for two Police Cars	80,938	40,094	-	(20,047)	20,047	20,047
2013 Capital Lease for two Police Cars	83,733	62,799	-	(20,933)	41,866	20,933
Long-term Loans:						
2001 YMCA Expansion (interest 2.76-5.4%)	1,970,000	670,000	-	(155,000)	515,000	165,000
Long-term Loans URA:						
2006 URA Streets #2 (3.66% -4.45%)	6,400,000	5,020,341	-	(271,517)	4,748,824	283,378
2010 URA Cannery & Streets (interest 4.65%)	7,065,000	6,360,000	-	(245,000)	6,115,000	260,000
2010 URA Cannery Projects (interest 0.55%)	8,500,000	5,898,888	-	-	5,898,888	-
2012 Civic bldg & Street Refunding (interest 3.0%)	5,245,000	4,865,000	-	(415,000)	4,450,000	425,000
SDC Credits		4,427,014	1,586,046	(1,208,426)	4,804,634	1,846,760
Total		31,567,009	1,586,046	(3,116,032)	30,037,023	3,818,882
Premium on bonds issued		432,417	-	(42,356)	390,061	42,356
		<u>\$ 31,999,426</u>	<u>\$ 1,586,046</u>	<u>\$ (3,158,388)</u>	<u>\$ 30,427,084</u>	<u>\$ 3,861,238</u>
Proprietary activities						
Long-term Obligations for Enterprise activities						
2008 SDW Water Reservoir (interest 3.55%)	6,000,000	\$ 5,344,018	\$ -	\$ (234,366)	\$ 5,109,652	\$ 242,686
2009 SDW Water Pipeline (interest 3.83%)	6,000,000	5,577,417	-	(221,255)	5,356,162	229,729
2011 Water Projects (interest 2-5%)	14,165,000	13,780,000	-	(395,000)	13,385,000	400,000
SDC Credits - Storm		61,365	-	-	61,365	9,720
Total		24,762,800	-	(850,621)	23,912,179	882,135
Premium on bonds issued		170,832	-	(7,428)	163,404	7,428
		<u>\$ 24,933,632</u>	<u>\$ -</u>	<u>\$ (858,049)</u>	<u>\$ 24,075,583</u>	<u>\$ 889,563</u>

CITY OF SHERWOOD, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2014**

II. DETAILED NOTES ON ALL FUNDS (Continued)

D. Long-term liabilities (Continued)

	Outstanding June 30, 2013	Increases	Decreases	Outstanding June 30, 2014	Due Within One Year
Compensated absences payable					
Governmental activities	\$ 408,529	\$ 37,634	\$ (8,566)	\$ 437,597	\$ 175,039
Proprietary activities	70,302	3,322	(2,569)	71,055	28,422
Total	\$ 478,831	\$ 40,956	\$ (11,135)	\$ 508,652	\$ 203,461

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014, were as follows:

Year ending June 30	Governmental Activities
2015	\$ 58,744
2016	20,933
Total minimum lease payments	79,677
Less: amount representing interest	(5,788)
Present value of minimum lease payments	\$ 73,889

2. Debt service requirements

The debt service repayment schedule for the IFA Cannery projects loan under URA will not be set until all of the projects are complete; therefore the outstanding principal is shown as thereafter on the repayment.

Fiscal Year Ending June 30,	Governmental Activities					Proprietary Activities			
	GO Bonds	City Loans	Capital Lease	Loans - URA	Interest	Total Govern- mental Activities	Principal on Loans	Interest	Total Business- type Activities
2015	\$ 780,000	\$ 165,000	\$ 58,744	\$ 968,378	\$ 754,369	\$ 2,726,491	\$ 872,415	\$ 965,253	\$ 1,837,668
2016	810,000	170,000	20,933	1,010,313	682,762	2,694,008	899,829	939,838	1,839,667
2017	830,000	180,000	-	1,047,325	606,190	2,663,515	922,886	913,582	1,836,468
2018	240,000	-	-	1,089,419	531,077	1,860,496	956,609	882,408	1,839,017
2019	245,000	-	-	1,131,595	481,400	1,857,995	986,024	850,093	1,836,117
2020-2024	520,000	-	-	5,894,987	1,625,553	8,040,540	5,562,377	3,637,762	9,200,139
2025-2029	-	-	-	3,641,807	573,816	4,215,623	6,752,297	2,440,293	9,192,590
2030-2034	-	-	-	530,000	24,645	554,645	5,073,377	1,104,155	6,177,532
Thereafter	-	-	-	5,898,888	32,444	5,931,332	1,825,000	138,000	1,963,000
	\$ 3,425,000	\$ 515,000	\$ 79,677	\$ 21,212,712	\$ 5,312,256	\$ 30,544,645	\$ 23,850,814	\$ 11,871,384	\$ 35,722,198

E. Inter-fund Loans and Transfers

In March 2009, the General Fund advanced \$950,000 to the Telecom Fund for operational and capital construction costs. As of June 30, 2014 \$621,767 has been paid back to the General Fund leaving a principle balance of \$328,233 owing. The remaining inter-fund loan balance will be paid in full by 2016.

CITY OF SHERWOOD, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2014**

II. DETAILED NOTES ON ALL FUNDS (Continued)

E. Inter-fund Loans and Transfers (Continued)

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the Debt Service Fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Transfers Out:				
	Fund	URA Capital Fund	Nonmajor Governmental Funds	Total
1	General	\$ -	\$ 70,026	\$ 70,026
2	URA Operations	-	36,213	36,213
3	URA Operations	2,167,289	-	2,167,289
4	URA Operations	16,000	-	16,000
5	Street Capital	216,198	-	216,198
	Total	\$ 2,399,487	\$ 106,239	\$ 2,505,726

Purpose:

- 1 Transfer of the Turf Replacement Reserve
- 2 Transfer for the Cedar Creek Trail Project
- 3 From URA Operations to URA Capital for Community Center
- 4 From URA Operations to URA Capital for Escrow pmt on Land Purchase
- 5 Loan proceeds from Street Capital to URA for Downtown Streets project

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 commercial insurance to minimize its exposure to these risks. Settled claims have not exceeded this commercial coverage for any of the past three years.

B. Pension plan

1. Plan Description

The City contributes to two pension plans administered by the Oregon Public Employees Retirement System (OPERS). The Oregon Public Employees Retirement Fund applies to the City's contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple-employer defined benefit pension plan. The Oregon Public Service Retirement Plan (OSPSRP) is a hybrid successor plan to the OPERF and consists of two programs. Benefits are calculated by a formula for members who attain normal retirement age.

The formula takes into account final average salary and years of service. As of January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account.

CITY OF SHERWOOD, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2014**

III. OTHER INFORMATION (Continued)

B. Pension plan (Continued)

Both PERS plans provide retirement and disability benefits, post-employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly-available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to PERS, PO Box 23700, Tigard, OR 97281-3700 or by calling (503) 598-7377.

2. Funding Policy

Members of PERS are required to contribute 6 percent of their salary covered under the plan, which is invested in the OPSRP Individual Account Program. The employer is allowed to pay any or all of the employees' contribution in addition to the required employer's contribution. For the fiscal year ended June 30, 2014, the City contributed all of the 6 percent contribution on behalf of the employees covered under PERS. The City is required under ORS 238.225 to contribute at an actuarially-determined rate for the qualifying employees under the OPSRP plan, and a general service rate for the qualifying employees under the OPSRP plan. The PERS, OPSRP, and OPSRP Police & Fire rates in effect for the fiscal year ended June 30, 2014 were 15.32 percent, 10.32 percent, and 13.03 percent respectively. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

3. Annual Pension Cost

The City paid the following contributions to PERS for the fiscal years ending June 30, which equaled the required contribution for each of these years.

	2011-2012	2012-2013	2013-2014
Employer Contributions	\$ 753,546	\$ 775,857	\$ 821,078
6% Employee Contributions paid by the City	327,656	339,076	360,374
Total PERS Contributions Paid by the City	\$ 1,081,202	\$ 1,114,933	\$ 1,181,452

4. Actuarial Methods and Assumptions

The actuarial assumptions include:

- An underlying long-term assumed rate of inflation is 2.75% compounded annually and an assumed rate of healthcare cost inflation graded from 8.0% in 2013 to 4.7% in 2083.
- An investment rate of return of 7.75% compounded annually.
- Interest crediting on 7.75% annually on regular account balances and 7.75% on variable account balances.
- Projected general wage inflation of 3.75% per year.

The actuarial valuation method used is the Entry Age Normal (EAN) Cost Method. Plan assets are valued at market value, excluding reserves. The unfunded actuarial liability (UAL) is amortized as a level percentage of combined payroll over a closed 16 - 20 year period.

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2014

III. OTHER INFORMATION (Continued)

C. Postemployment Benefits Other than Pensions

Plan Description – As a member of Oregon Public Employees Retirement System (OPERS) the City contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other post-employment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700.

Funding Policy – Given that 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 premium 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 received disability allowance as if the member had eight years or more of credible 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.

Participating cities are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.59 percent of annual covered payroll for Tier1/Tier 2 and .49 percent for OPSRP. The OPERS Board of Trustees sets the employer contribution rate based on the annual required contributions (ARC) of the employers, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of plan over a period not to exceed ten years. The City's contributions to RHIA were included in contributions made to PERS.

IV. COMMITMENTS AND CONTINGENCIES

The City is involved in various claims and legal matters relating to its operations which the City does not believe that any of these matters have a material impact on its June 30, 2014 financial statements. The City has outstanding commitments at June 30, 2014 totaling \$3,681,819 related to construction contracts.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SHERWOOD
Sherwood, Oregon

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES)
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Property taxes	\$ 4,416,550	\$ 4,416,550	\$ 4,587,058	\$ 170,508
Franchise fees	1,788,500	1,788,500	1,592,483	(196,017)
Intergovernmental	1,506,718	1,506,718	1,537,048	30,330
Charges for services	748,398	748,398	1,104,636	356,238
Infrastructure development fees	127,700	127,700	270,878	143,178
Fines and forfeitures	911,500	911,500	1,029,052	117,552
Interest	25,000	25,000	21,124	(3,876)
Miscellaneous	167,947	167,947	208,899	40,952
TOTAL REVENUES	<u>9,692,313</u>	<u>9,692,313</u>	<u>10,351,178</u>	<u>658,865</u>
EXPENDITURES:				
Administration	2,466,258	2,521,258	2,509,349	11,909
Community development	984,885	1,134,885	1,126,553	8,332
Public safety	3,522,377	3,522,377	3,497,128	25,249
Community services	1,254,051	1,254,051	1,239,941	14,110
Public works	1,604,713	1,604,713	1,537,162	67,551
Contingency	2,629,580	2,424,580	-	2,424,580
TOTAL EXPENDITURES	<u>12,461,864</u>	<u>12,461,864</u>	<u>9,910,133</u>	<u>2,551,731</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,769,551)</u>	<u>(2,769,551)</u>	<u>441,045</u>	<u>3,210,596</u>
OTHER FINANCING SOURCES & (USES):				
Interfund loan payments	146,000	146,000	147,431	1,431
NET CHANGE IN FUND BALANCE	<u>(2,623,551)</u>	<u>(2,623,551)</u>	<u>588,476</u>	<u>3,212,027</u>
FUND BALANCE, beginning of year	<u>2,623,551</u>	<u>2,623,551</u>	<u>2,964,868</u>	<u>341,317</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,553,344</u>	<u>\$ 3,553,344</u>
Fund balance budget basis			\$ 3,553,344	
Balance of interfund loan			328,233	
Fund balance fund statements			<u>\$ 3,881,578</u>	
Change in fund balance budget basis			\$ 588,476	
Payment on interfund loan			(147,431)	
Change in fund balance GAAP basis			<u>\$ 441,045</u>	

CITY OF SHERWOOD
Sherwood, Oregon

URBAN RENEWAL OPERATIONS
SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES)
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Property taxes	\$ 3,354,100	\$ 3,354,100	\$ 3,771,424	\$ 417,324
Fines, interest and other	12,000	12,000	25,986	13,986
TOTAL REVENUES	<u>3,366,100</u>	<u>3,366,100</u>	<u>3,797,410</u>	<u>431,310</u>
EXPENDITURES:				
Personal services	79,480	79,480	51,283	28,197
Materials and services	182,624	182,624	63,501	119,123
Debt service	1,584,335	1,584,335	1,584,335	-
Contingency	2,036,804	2,036,804	-	2,036,804
TOTAL EXPENDITURES	<u>3,883,243</u>	<u>3,883,243</u>	<u>1,699,119</u>	<u>2,184,123</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(517,143)</u>	<u>(517,143)</u>	<u>2,098,291</u>	<u>2,615,434</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(3,371,126)	(3,371,126)	(2,219,502)	1,151,624
Proceeds from sale of capital assets	160,000	160,000	-	(160,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,211,126)</u>	<u>(3,211,126)</u>	<u>(2,219,502)</u>	<u>991,624</u>
NET CHANGE IN FUND BALANCE	(3,728,269)	(3,728,269)	(121,211)	3,607,058
FUND BALANCE, beginning of year	<u>3,728,269</u>	<u>3,728,269</u>	<u>3,778,239</u>	<u>49,970</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,657,028</u>	<u>\$ 3,657,028</u>

OTHER SUPPLEMENTARY INFORMATION

MAJOR CAPITAL PROJECT FUNDS

CITY OF SHERWOOD

Sherwood, Oregon

**URBAN RENEWAL CAPITAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES)
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Fines, interest and other	\$ -	\$ -	\$ 2,237	\$ 2,237
EXPENDITURES:				
Personal services	167,218	167,218	85,319	81,899
Materials and services	105,796	105,796	87,313	18,483
Capital outlay	5,699,224	5,699,224	2,737,996	2,961,228
Contingency	1,209,953	1,426,953	-	1,426,953
TOTAL EXPENDITURES	7,182,191	7,399,191	2,910,628	4,488,563
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(7,182,191)	(7,399,191)	(2,908,391)	4,490,800
OTHER FINANCING SOURCES (USES):				
Transfers in	3,371,126	3,588,126	2,399,487	(1,188,639)
Proceeds from borrowing	2,601,112	2,601,112	-	(2,601,112)
TOTAL OTHER FINANCING SOURCES (USES)	5,972,238	6,189,238	2,399,487	(3,789,751)
NET CHANGE IN FUND BALANCE	(1,209,953)	(1,209,953)	(508,904)	701,049
FUND BALANCE, beginning of year	1,209,953	1,209,953	508,904	(701,049)
FUND BALANCE, end of year	\$ -	\$ -	\$ -	\$ -

CITY OF SHERWOOD

Sherwood, Oregon

**STREET CAPITAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES)
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Charges for services	\$ 50,000	\$ 50,000	\$ 54,090	\$ 4,090
Infrastructure development fees	1,526,000	1,526,000	1,561,856	35,856
Interest and other	6,266	6,266	13,858	7,592
TOTAL REVENUES	<u>1,582,266</u>	<u>1,582,266</u>	<u>1,629,804</u>	<u>47,538</u>
EXPENDITURES:				
Personal services	1,075	67,000	66,582	418
Materials and services	435	50,000	47,993	2,007
Capital outlay	38,490	297,100	293,058	4,042
Contingency	2,729,788	2,294,488	-	2,294,488
TOTAL EXPENDITURES	<u>2,769,788</u>	<u>2,708,588</u>	<u>407,633</u>	<u>2,300,955</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,187,522)</u>	<u>(1,126,322)</u>	<u>1,222,171</u>	<u>2,348,493</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(155,000)</u>	<u>(216,200)</u>	<u>(216,198)</u>	<u>2</u>
NET CHANGE IN FUND BALANCE	<u>(1,342,522)</u>	<u>(1,342,522)</u>	<u>1,005,973</u>	<u>2,348,495</u>
FUND BALANCE, beginning of year	<u>1,342,522</u>	<u>1,342,522</u>	<u>2,195,410</u>	<u>852,888</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,201,383</u>	<u>\$ 3,201,383</u>

NONMAJOR GOVERNMENTAL FUNDS

CITY OF SHERWOOD

Sherwood, Oregon

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2014

	<u>Debt Service</u>	<u>Capital Project Fund Gen Const</u>	<u>Special Revenue Street Ops</u>	<u>Totals</u>
ASSETS:				
Restricted Cash	\$ 10,101	\$ 1,557,028	\$ 1,522,917	\$ 3,090,046
Receivables	-	720	44,119	44,839
TOTAL ASSETS	<u>\$ 10,101</u>	<u>\$ 1,557,748</u>	<u>\$ 1,567,036</u>	<u>\$ 3,134,885</u>
LIABILITIES:				
Other current liabilities	-	-	\$ 18,583	\$ 18,583
FUND BALANCES:				
Restricted	10,101	1,557,748	1,548,453	3,116,302
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 10,101</u>	<u>\$ 1,557,748</u>	<u>\$ 1,567,036</u>	<u>\$ 3,134,885</u>

CITY OF SHERWOOD

Sherwood, Oregon

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER
FINANCING SOURCES (USES) AND CHANGE IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2014**

	Debt Service	Capital Project Fund Gen Const	Special Revenue Street Ops	Totals
REVENUES:				
Property taxes	\$ 892,000	\$ -	\$ -	\$ 892,000
Intergovernmental	-	105,658	1,125,439	1,231,097
Charges for services	-	23,479	578,413	601,892
Infrastructure development fees	-	985,839	17,673	1,003,512
Interest and other	1,638	57,474	6,760	65,872
	<u>893,638</u>	<u>1,172,450</u>	<u>1,728,285</u>	<u>3,794,373</u>
TOTAL REVENUES				
EXPENDITURES:				
Current:				
Public works	-	136,111	1,458,753	1,594,864
Noncurrent				
Capital outlay	-	395,564	5,999	401,563
Debt service	891,969	48,104	-	940,073
	<u>891,969</u>	<u>579,779</u>	<u>1,464,752</u>	<u>2,936,500</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,669</u>	<u>592,671</u>	<u>263,533</u>	<u>857,873</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	106,239	-	106,239
NET CHANGE IN FUND BALANCE	1,669	698,910	263,533	964,112
FUND BALANCE, beginning of year	<u>8,432</u>	<u>858,838</u>	<u>1,284,920</u>	<u>2,152,190</u>
FUND BALANCE, end of year	<u>\$ 10,101</u>	<u>\$ 1,557,748</u>	<u>\$ 1,548,453</u>	<u>\$ 3,116,302</u>

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, 2014**

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Property taxes	\$ 892,000	\$ 892,000	\$ 892,000	\$ -
Interest	-	-	1,638	1,638
TOTAL REVENUES	<u>892,000</u>	<u>892,000</u>	<u>893,638</u>	<u>1,638</u>
EXPENDITURES:				
Debt service	891,969	891,969	891,969	-
Reserve for future expenditure	6,646	6,646	-	6,646
TOTAL EXPENDITURES	<u>898,615</u>	<u>898,615</u>	<u>891,969</u>	<u>6,646</u>
NET CHANGE IN FUND BALANCE	(6,615)	(6,615)	1,669	8,284
FUND BALANCE , beginning of year	<u>6,615</u>	<u>6,615</u>	<u>8,432</u>	<u>1,817</u>
FUND BALANCE , end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,101</u>	<u>\$ 10,101</u>

CITY OF SHERWOOD
Sherwood, Oregon

GENERAL CONSTRUCTION FUND
SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES)
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 105,658	\$ 105,658
Charges for services	-	-	23,479	23,479
Infrastructure development fees	614,000	614,000	985,839	371,839
Interest and other	27,514	27,514	57,474	29,960
TOTAL REVENUES	<u>641,514</u>	<u>641,514</u>	<u>1,172,450</u>	<u>530,936</u>
EXPENDITURES:				
Personal services	47,493	47,493	35,842	11,651
Materials and services	22,219	22,219	22,102	117
Capital outlay	1,064,116	1,064,116	337,620	726,496
Debt service	48,104	48,104	48,104	-
Contingency	539,226	539,226	-	539,226
TOTAL EXPENDITURES	<u>1,721,158</u>	<u>1,721,158</u>	<u>443,668</u>	<u>1,277,490</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,079,644)</u>	<u>(1,079,644)</u>	<u>728,782</u>	<u>1,808,427</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	205,000	205,000	106,239	(98,761)
NET CHANGE IN FUND BALANCE	(874,644)	(874,644)	835,021	1,709,665
FUND BALANCE, beginning of year	<u>874,644</u>	<u>874,644</u>	<u>722,727</u>	<u>(151,917)</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,557,748</u>	<u>\$ 1,557,748</u>
Change in fund balance budget bases			\$ 835,021	
Change in prepaids			<u>(136,111)</u>	
Change in fund balance GAAP basis			<u>\$ 698,910</u>	

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, 2014**

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental	\$ 1,079,439	\$ 1,079,439	\$ 1,125,439	\$ 46,000
Charges for services	540,253	540,253	578,413	38,160
Infrastructure development fees	1,500	1,500	17,673	16,173
Interest and other	6,272	6,272	6,760	488
TOTAL REVENUES	<u>1,627,464</u>	<u>1,627,464</u>	<u>1,728,285</u>	<u>100,821</u>
EXPENDITURES:				
Personal services	322,706	322,706	306,095	16,611
Materials and services	682,856	1,222,856	1,152,658	70,198
Capital outlay	7,000	7,000	5,999	1,001
Contingency	1,774,213	1,234,213	-	1,234,213
TOTAL EXPENDITURES	<u>2,786,775</u>	<u>2,786,775</u>	<u>1,464,752</u>	<u>1,322,023</u>
NET CHANGE IN FUND BALANCE	(1,159,311)	(1,159,311)	263,533	1,422,844
FUND BALANCE, beginning of year	<u>1,159,311</u>	<u>1,159,311</u>	<u>1,284,920</u>	<u>125,609</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,548,453</u>	<u>\$ 1,548,453</u>

PROPRIETARY FUNDS

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, 2014**

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental	\$ 2,000,000	\$ 2,000,000	\$ 1,390,365	(609,635)
Charges for services	4,363,792	4,363,792	4,436,294	72,502
Infrastructure development fees	163,000	163,000	713,041	550,041
Interest and other	30,000	30,000	36,829	6,829
TOTAL REVENUES	6,556,792	6,556,792	6,576,529	19,737
EXPENDITURES:				
Operations	4,873,661	4,873,661	4,435,447	438,214
Capital	620,244	620,244	40,489	579,755
Contingency	6,558,216	6,558,216	-	6,558,216
TOTAL EXPENDITURES	12,052,121	12,052,121	4,475,936	7,576,185
NET CHANGE IN FUND BALANCE	(5,495,329)	(5,495,329)	2,100,593	7,595,922
FUND BALANCE, beginning of year	5,495,329	5,495,329	6,320,588	825,259
FUND BALANCE, end of year	\$ -	\$ -	\$ 8,421,181	\$ 8,421,181

Reconciliation of budget basis to GAAP basis

Change in fund balance - budgetary basis	\$ 2,100,593
Depreciation expense	(736,223)
Loss on disposal of assets	(87,854)
Expenditures capitalized	1,251,128
Contributed assets	40,614
Change in prepaid expenses	(1,191,759)
Change in intergovernmental receivables	(1,387,804)
Transfer SDC Credits to Storm Fund	9,720
Principal payments on long-term obligations	850,621
Write off of bond issuance costs	(319,184)
Change in accrued interest on long-term obligations	14,752
Change in compensated absences	2,568
Amortization of debt premium	7,428
Change in net position - GAAP basis	<u>\$ 554,600</u>
Fund balance - budgetary basis	\$ 8,421,181
Capital assets	52,284,274
Long-term obligations and related premium	(24,014,038)
Compensated absences	(34,626)
Accrued interest on long term obligations	<u>(269,303)</u>
Net position - GAAP basis	<u>\$ 36,387,488</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, 2014**

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental	\$ 528,457	\$ 528,457	\$ 416,201	\$ (112,256)
Charges for services	554,000	554,000	575,710	21,710
Infrastructure development fees	42,000	42,000	59,565	17,565
Interest and other	9,848	9,848	20,487	10,639
TOTAL REVENUES	1,134,305	1,134,305	1,071,963	(62,342)
EXPENDITURES:				
Operations	558,614	558,614	473,287	85,327
Capital	1,221,143	1,221,143	703,269	517,874
Contingency	2,756,259	2,756,259	-	2,756,259
TOTAL EXPENDITURES	4,536,016	4,536,016	1,176,556	3,359,460
NET CHANGE IN FUND BALANCE	(3,401,711)	(3,401,711)	(104,593)	3,297,118
FUND BALANCE , beginning of year	3,401,711	3,401,711	3,474,815	73,104
FUND BALANCE , end of year	\$ -	\$ -	\$ 3,370,222	\$ 3,370,222

Reconciliation of budget basis to GAAP basis

Change in fund balance - budgetary basis	\$ (104,593)
Depreciation expense	(169,550)
Expenditures capitalized	738,013
Contributed assets	93,720
Change in compensated absences	(2,609)
Change in net position - GAAP basis	<u>\$ 554,981</u>
Fund balance - budgetary basis	\$ 3,370,222
Capital assets	12,934,255
Compensated absences	(15,468)
Net position - GAAP basis	<u>\$ 16,289,009</u>

CITY OF SHERWOOD
Sherwood, Oregon

STORM FUND
SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES)
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Charges for services	\$ 1,535,690	\$ 1,535,690	\$ 1,619,100	\$ 83,410
Infrastructure development fees	33,500	33,500	163,421	129,921
Interest and other	8,814	8,814	12,292	3,478
TOTAL REVENUES	<u>1,578,004</u>	<u>1,578,004</u>	<u>1,794,813</u>	<u>216,809</u>
EXPENDITURES:				
Operations	1,615,503	1,615,503	964,766	650,737
Capital	750,000	750,000	128,132	621,868
Contingency	769,896	769,896	-	769,896
TOTAL EXPENDITURES	<u>3,135,399</u>	<u>3,135,399</u>	<u>1,092,898</u>	<u>2,042,501</u>
NET CHANGE IN FUND BALANCE	(1,557,395)	(1,557,395)	701,915	2,259,310
FUND BALANCE , beginning of year	<u>1,557,395</u>	<u>1,557,395</u>	<u>1,948,537</u>	<u>391,142</u>
FUND BALANCE , end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,650,452</u>	<u>\$ 2,650,452</u>
Reconciliation of budget basis to GAAP basis				
Change in fund balance - budget basis			\$ 701,915	
Depreciation expense			(202,473)	
Contributed assets			15,382	
Expenditures capitalized			211,078	
Change in SDC credits			(9,720)	
Change in compensated absences			(148)	
Change in net position - GAAP basis			<u>\$ 716,034</u>	
Fund balance - budget basis			\$ 2,650,452	
Capital assets			17,533,591	
SDC Credits			(61,365)	
Compensated absences			(18,889)	
Net position - GAAP basis			<u>\$ 20,103,789</u>	

CITY OF SHERWOOD

Sherwood, Oregon

**TELECOMMUNICATIONS FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Charges for services	\$ 396,000	\$ 396,000	\$ 385,288	\$ (10,712)
Interest	250	250	346	96
TOTAL REVENUES	<u>396,250</u>	<u>396,250</u>	<u>385,634</u>	<u>(10,616)</u>
EXPENDITURES:				
Personal services	44,055	44,055	41,715	2,340
Materials and services	155,512	199,012	185,873	13,139
Debt service	150,000	150,000	150,000	-
Contingency	53,034	9,534	-	9,534
TOTAL EXPENDITURES	<u>402,601</u>	<u>402,601</u>	<u>377,588</u>	<u>25,013</u>
NET CHANGE IN FUND BALANCE	(6,351)	(6,351)	8,046	14,397
FUND BALANCE , beginning of year	<u>6,351</u>	<u>6,351</u>	<u>63,204</u>	<u>56,853</u>
FUND BALANCE , end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,250</u>	<u>\$ 71,250</u>

Reconciliation of budgetary basis to GAAP basis

Change in fund balance - budgetary basis	\$ 8,046
Depreciation expense	(22,651)
Principal payments on interfund loan	147,431
Change in compensated absences	(565)
Change in net position - GAAP basis	<u>\$ 132,261</u>
Fund balance - budgetary basis	\$ 71,250
Capital assets	463,993
Compensated absences	(2,072)
Interfund loan payable	(328,233)
Net position - GAAP basis	<u>\$ 204,938</u>

CITY OF SHERWOOD

Sherwood, Oregon

**SCHEDULE OF PROPERTY TAX TRANSACTIONS
YEAR ENDED JUNE 30, 2014**

<u>Tax Year</u>	<u>Uncollected Balances June 30, 2013</u>	<u>2013-14 Levy</u>	<u>Interest, Discounts & Adjustments</u>	<u>Collections</u>	<u>Uncollected Balances June 30, 2014</u>
2013-14	\$ -	\$ 9,532,072	\$ (274,632)	\$ (9,046,435)	\$ 211,005
2012-13	205,664	-	1,249	(117,381)	89,532
2011-12	96,056	-	7,398	(38,253)	65,201
2010-11	73,320	-	9,340	(37,246)	45,414
2009-10	46,356	-	1,129	(15,098)	32,387
2008-09	4,355	-	(222)	(1,853)	2,280
Prior Years	7,044	-	(1,192)	(1,742)	4,109
Total	<u><u>\$ 432,795</u></u>	<u><u>\$ 9,532,072</u></u>	<u><u>\$ (256,930)</u></u>	<u><u>\$ (9,258,008)</u></u>	<u><u>\$ 449,929</u></u>

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.	56–59
Revenue Capacity These schedules contain information to help the reader assess the City’s most significant local revenue source, property taxes.	60-63
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.	64–67
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.	68
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.	69

CITY OF SHERWOOD
Sherwood, Oregon

GOVERNMENT-WIDE NET POSITION
LAST TEN FISCAL YEARS

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental activities										
Net investment in capital assets	\$ 52,214,555	\$ 52,838,930	\$ 53,808,000	\$ 50,616,029	\$ 14,235,108	\$ 12,402,695	\$ 11,348,565	\$ 15,812,783	\$ 22,135,098	\$ 9,577,688
Restricted	10,184,686	2,898,423	4,415,125	3,765,783	94,621	1,040,102	1,023,669	288,393	1,912,983	8,291,434
Unrestricted	3,485,791	9,119,548	6,412,820	6,315,572	(2,605,639)	(1,620,872)	391,698	1,768,706	(229,213)	877,910
Total governmental activities net position	<u>65,885,032</u>	<u>64,856,901</u>	<u>64,635,945</u>	<u>60,697,384</u>	<u>11,724,090</u>	<u>11,821,925</u>	<u>12,763,932</u>	<u>17,869,882</u>	<u>23,818,868</u>	<u>18,747,032</u>
Proprietary activities										
Net investment in capital assets	60,286,219	58,296,986	59,730,928	56,643,754	84,563,361	80,054,150	75,543,355	61,689,396	64,363,260	63,406,804
Restricted	4,508,411	3,939,196	3,218,306	-	10,501,066	12,792,835	12,859,547	14,281,995	-	13,138,857
Unrestricted	8,190,594	8,791,167	5,822,184	9,174,948	7,297,289	5,593,909	5,189,087	11,697,604	15,373,501	4,159,090
Total proprietary activities net position	<u>72,985,224</u>	<u>71,027,349</u>	<u>68,771,418</u>	<u>65,818,702</u>	<u>102,361,716</u>	<u>98,440,894</u>	<u>93,591,989</u>	<u>87,668,995</u>	<u>79,736,761</u>	<u>80,704,751</u>
Government-wide activities										
Net investment in capital assets	112,500,774	111,135,916	113,538,928	107,259,783	98,798,469	92,456,845	86,891,920	77,502,179	86,498,358	72,984,492
Restricted	14,693,097	6,837,619	7,633,431	3,765,783	10,595,687	13,832,937	13,883,216	14,570,388	1,912,983	21,430,291
Unrestricted	11,676,385	17,910,715	12,235,004	15,490,520	4,691,650	3,973,037	5,580,785	13,466,310	15,144,288	5,037,000
Total Government-wide activities net position	<u>\$ 138,870,257</u>	<u>\$ 135,884,250</u>	<u>\$ 133,407,363</u>	<u>\$ 126,516,086</u>	<u>\$ 114,085,806</u>	<u>\$ 110,262,819</u>	<u>\$ 106,355,921</u>	<u>\$ 105,538,877</u>	<u>\$ 103,555,629</u>	<u>\$ 99,451,783</u>

CITY OF SHERWOOD
Sherwood, Oregon

CHANGE IN NET POSITION
LAST TEN FISCAL YEARS

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Expenses										
Governmental activities:										
Administration	\$ 3,029,706	\$ 2,883,811	\$ 2,516,677	\$ 796,230	\$ 4,396,849	\$ 3,355,687	\$ 2,415,467	\$ 2,053,032	\$ (338,287)	\$ 3,353,748
Community Development	2,362,541	3,666,015	3,256,026	2,923,546	2,094,523	2,658,371	2,585,919	4,783,130	4,007,390	2,991,286
Public Safety	3,535,649	3,265,114	3,339,315	4,100,791	3,817,798	3,937,639	3,698,129	3,472,104	3,391,789	3,466,184
Community Services	1,423,661	1,431,554	1,446,959	1,765,099	1,717,317	1,678,574	1,652,687	1,481,816	1,162,873	1,427,890
Public Works	7,414,223	3,841,187	4,086,621	3,784,575	3,534,781	2,793,301	2,520,009	1,779,875	1,348,173	1,440,415
Interest on long-term obligations	809,553	1,091,076	1,081,817	1,503,754	1,131,451	1,548,302	2,432,283	425,622	684,535	692,072
Total governmental activities	<u>18,575,333</u>	<u>16,178,757</u>	<u>15,727,415</u>	<u>14,873,995</u>	<u>16,692,719</u>	<u>15,971,874</u>	<u>15,304,494</u>	<u>13,995,579</u>	<u>10,256,473</u>	<u>13,371,595</u>
Proprietary activities:										
Water	6,062,543	4,108,763	2,172,456	2,403,737	2,682,923	2,880,009	2,134,630	2,090,399	2,077,665	1,413,401
Sewer	610,702	549,521	495,249	397,484	456,138	526,200	1,833,247	2,660,082	2,914,907	2,449,703
Storm	1,094,161	942,614	929,770	985,975	671,150	659,026	699,162	903,635	788,883	632,106
Telecommunications	253,373	174,794	147,990	130,510	207,628	320,854	500,580	244,857	268,073	52,166
Total proprietary activities	<u>8,020,779</u>	<u>5,775,692</u>	<u>3,745,465</u>	<u>3,917,706</u>	<u>4,017,839</u>	<u>4,386,089</u>	<u>5,167,619</u>	<u>5,898,973</u>	<u>6,049,528</u>	<u>4,547,376</u>
Total Expenses	<u>\$ 26,596,112</u>	<u>\$ 21,954,449</u>	<u>\$ 19,472,880</u>	<u>\$ 18,791,701</u>	<u>\$ 20,710,558</u>	<u>\$ 20,357,963</u>	<u>\$ 20,472,113</u>	<u>\$ 19,894,552</u>	<u>\$ 16,306,001</u>	<u>\$ 17,918,971</u>
Revenues										
Governmental activities:										
Charges for services										
Administration	\$ 1,126,323	\$ 924,121	\$ 1,281,663	\$ 1,049,985	\$ 613,475	\$ 715,363	\$ 84,899	\$ 548,098	\$ 510,514	\$ 360,072
Community Development	687,417	535,078	331,001	313,117	263,475	729,620	702,458	827,567	694,236	1,561,539
Public Safety	8,303	22,655	8,219	15,565	48,975	54,208	52,205	93,455	150,148	105,661
Community Services	335,297	279,359	276,836	272,128	275,851	244,407	209,873	330,796	474,628	328,166
Public Works	632,329	574,717	525,855	43,254	478,161	533,745	346,230	27,493	19,702	92,321
Operating grants and contributions	2,768,146	2,566,862	2,450,372	3,737,468	2,930,611	1,502,756	1,158,996	2,375,635	1,322,764	1,347,558
Capital grants and contributions	2,836,247	1,240,908	4,236,522	4,363,569	1,314,967	3,070,470	391,689	623,535	1,092,203	648,330
General revenues and transfers	11,209,402	10,256,013	10,555,508	12,724,131	11,087,578	8,862,972	12,257,997	785,496	9,343,145	10,294,600
Total governmental activities	<u>19,603,464</u>	<u>16,399,713</u>	<u>19,665,976</u>	<u>22,519,217</u>	<u>17,013,093</u>	<u>15,713,541</u>	<u>15,204,347</u>	<u>5,612,075</u>	<u>13,607,340</u>	<u>14,738,247</u>
Proprietary activities:										
Charges for services										
Water	4,436,294	4,511,739	4,105,712	3,581,283	3,780,473	3,445,457	2,867,092	2,813,038	1,948,617	1,711,063
Sewer	575,710	554,285	523,271	444,953	456,512	329,064	1,497,143	2,170,669	2,063,012	1,909,443
Storm	1,619,100	1,525,022	1,418,566	1,340,927	1,330,603	559,283	479,548	584,780	566,645	456,442
Telecommunications	385,288	318,075	310,838	210,792	186,799	151,999	88,262	54,613	6,796	-
Operating grants and contributions	1,806,566	-	-	45,000	12,000	1,273,556	-	-	-	-
Capital grants and contributions	1,085,743	1,045,294	488,204	2,351,721	1,265,269	1,659,827	641,278	879,434	1,668,896	2,733,706
General revenues and transfers	69,954	77,208	(148,410)	216,741	488,796	1,132,128	3,966,596	9,763,189	548,541	4,647,363
Total proprietary activities	<u>9,978,655</u>	<u>8,031,623</u>	<u>6,698,181</u>	<u>8,191,417</u>	<u>7,520,452</u>	<u>8,551,314</u>	<u>9,539,919</u>	<u>16,265,723</u>	<u>6,802,507</u>	<u>11,458,017</u>
Total Revenues	<u>\$ 29,582,119</u>	<u>\$ 24,431,336</u>	<u>\$ 26,364,157</u>	<u>\$ 30,710,634</u>	<u>\$ 24,533,545</u>	<u>\$ 24,264,855</u>	<u>\$ 24,744,266</u>	<u>\$ 21,877,798</u>	<u>\$ 20,409,847</u>	<u>\$ 26,196,264</u>
Change in Net Position										
Governmental Activities	\$ 1,028,131	\$ 220,956	\$ 3,938,561	\$ 7,645,222	\$ 320,374	\$ (258,333)	\$ (100,147)	\$ (8,383,504)	\$ 3,350,867	\$ 1,366,652
Proprietary Activity	1,957,876	2,255,931	2,952,717	4,273,711	3,502,613	4,165,225	4,372,300	10,366,750	752,979	6,910,641
Total Net (Expense)/Revenue	<u>\$ 2,986,007</u>	<u>\$ 2,476,887</u>	<u>\$ 6,891,277</u>	<u>\$ 11,918,933</u>	<u>\$ 3,822,987</u>	<u>\$ 3,906,892</u>	<u>\$ 4,272,153</u>	<u>\$ 1,983,246</u>	<u>\$ 4,103,846</u>	<u>\$ 8,277,293</u>

CITY OF SHERWOOD
Sherwood, Oregon

GOVERNMENTAL FUND BALANCE
LAST TEN FISCAL YEARS

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Fund:										
Nonspendable	\$ 328,233	\$ 475,664	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	209,973	176,427	127,704	75,640.00	-	-	-	-	-	-
Committed	7,230	68,596	3,500	-	-	-	-	-	-	-
Assigned	139	1,261	58,386	54,786	-	-	-	-	-	-
Unassigned	3,336,003	2,718,585	2,933,222	2,982,560	-	-	-	-	-	-
Unreserved	-	-	-	-	1,862,794	898,753	352,774	(900,143)	(1,332,856)	371,003
Total General Fund	<u>\$ 3,881,578</u>	<u>\$ 3,440,533</u>	<u>\$ 3,122,812</u>	<u>\$ 3,112,986</u>	<u>\$ 1,862,794</u>	<u>\$ 898,753</u>	<u>\$ 352,774</u>	<u>\$ (900,143)</u>	<u>\$ (1,332,856)</u>	<u>\$ 371,003</u>
Urban Renewal Operations:										
Restricted	<u>\$ 3,657,028</u>	<u>\$ 3,778,239</u>	<u>\$ 1,857,026</u>	<u>\$ 3,718,401</u>	<u>\$ 1,810,913</u>	<u>\$ 2,792,649</u>	<u>\$ 1,185,706</u>	<u>\$ 1,005,607</u>	<u>\$ 516,792</u>	<u>\$ -</u>
Street Capital:										
Restricted	\$ 3,201,383	\$ 2,195,410	\$ 2,335,296	\$ 4,110,698	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Assigned	-	-	-	114,316	-	-	-	-	-	-
Total Street Capital	<u>\$ 3,201,383</u>	<u>\$ 2,195,410</u>	<u>\$ 2,335,296</u>	<u>\$ 4,225,014</u>	<u>\$ -</u>	<u>\$ -</u>				
Urban Renewal Capital:										
Restricted	<u>\$ -</u>	<u>\$ 508,904</u>	<u>\$ 3,078,268</u>	<u>\$ -</u>	<u>\$ -</u>					
Other Governmental Funds										
Nonspendable	\$ -	\$ 136,111	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	3,116,302	1,518,800	1,371,509	546,091	9,532	27,999	142,389	104,833	10,990	-
Committed	-	252,812	-	-	-	-	-	-	-	-
Assigned	-	244,466	251,383	498,317	-	-	-	-	-	-
Reserved	-	-	-	-	491,087	1,313,132	1,005,172	1,406,490	2,080,573	148,737
Total Other Governmental Funds	<u>\$ 3,116,302</u>	<u>\$ 2,152,189</u>	<u>\$ 1,622,892</u>	<u>\$ 1,044,408</u>	<u>\$ 500,619</u>	<u>\$ 1,341,131</u>	<u>\$ 1,147,561</u>	<u>\$ 1,511,323</u>	<u>\$ 2,091,563</u>	<u>\$ 148,737</u>

(a) The Street Operations and 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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Property Taxes	\$ 9,250,482	\$ 8,375,347	\$ 8,400,078	\$ 8,223,769	\$ 7,975,681	\$ 7,366,025	\$ 7,231,552	\$ 6,502,468	\$ 5,588,362	\$ 5,986,681
Franchises and fees	1,592,483	1,580,367	1,574,434	1,471,115	1,578,593	1,392,530	1,348,651	1,250,409	1,091,898	-
Intergovernmental	2,768,145	2,594,181	4,999,094	4,072,817	1,548,654	417,679	1,376,518	2,458,024	1,934,273	1,830,069
Charges for services	1,760,618	1,474,026	1,203,285	618,975	819,818	934,562	1,178,892	1,057,628	966,900	1,355,623
Infrastructure Development Fees	2,836,246	666,200	233,533	800,843	239,299	1,049,026	407,344	602,458	1,245,926	2,719,828
Fines and forfeitures	1,029,052	861,904	1,224,727	1,020,855	347,328	454,802	390,651	532,392	466,995	423,953
Interest on investments	77,077	97,290	63,081	57,322	43,515	132,931	234,162	227,162	519,194	121,009
Miscellaneous	260,899	226,069	213,930	364,090	113,006	310,963	87,493	19,014	108,768	394,322
Total Revenues	19,575,002	15,875,384	17,912,162	16,629,786	12,665,894	12,058,518	12,255,263	12,649,555	11,922,316	12,831,485
Expenditures:										
Current:										
Administration	2,447,546	2,166,821	2,571,542	3,372,963	3,148,951	2,840,300	1,672,916	-	-	-
Community Development	1,126,553	992,193	784,847	1,275,027	1,437,184	1,846,610	2,404,042	-	-	-
Public Safety	3,485,772	3,259,944	3,220,610	4,039,547	3,696,119	3,841,057	3,774,378	-	-	-
Community Services	1,169,915	1,181,814	1,167,801	1,517,075	1,426,069	1,420,789	1,345,098	-	-	-
Pulic Works	3,116,834	2,290,168	2,431,579	1,969,097	802,833	737,027	820,622	-	-	-
Personal Services (a)	-	-	-	-	-	-	-	9,635,581	10,350,502	10,725,314
Materials and Services	-	-	-	-	-	-	-	212,669	492,486	1,521,254
Capital Outlay	3,784,613	3,915,065	8,136,079	4,187,315	1,003,722	-	594,508	864,538	6,189,850	7,498,479
Debt Service - Principal	1,841,517	7,032,912	3,163,663	4,460,545	2,281,619	3,359,566	2,815,759	2,484,867	2,233,509	1,668,776
Debt Service - interest	821,237	1,219,706	904,713	1,254,359	1,029,976	495,397	505,086	55,940	145,091	124,412
Reimbursements	-	-	-	-	-	-	-	(1,245,328)	(1,216,183)	(957,632)
Total Expenditures	17,793,987	22,058,624	22,380,834	22,075,928	14,826,473	14,540,746	13,932,409	12,008,267	18,195,255	20,580,603
Excess (Deficiency of Revenues Over Expenditures)	1,781,015	(6,183,240)	(4,468,672)	(5,446,142)	(2,160,579)	(2,482,228)	(1,677,146)	641,288	(6,272,939)	(7,749,118)
Other Financing Sources (Uses)										
Issuance of long-term debt	-	5,619,298	4,085,972	4,229,555	1,000,000	6,065,000	-	-	-	3,130,000
Proceeds from Capital Lease	-	83,733	80,938	-	-	-	-	-	-	-
Sale of Capital Assets	-	533,489	-	-	-	-	-	-	1,713,695	991,902
Transfers in	2,505,726	429,485	895,122	2,889,027	859,338	3,596,098	584,479	-	731,671	298,642
Transfers out	(2,505,726)	(423,787)	(677,695)	(302,317)	(556,967)	(4,832,377)	-	(300,000)	(641,446)	(1,047,928)
Total Other Financing Sources (Uses)	-	6,242,218	4,384,337	6,816,265	1,302,371	4,828,721	584,479	(300,000)	1,803,920	3,372,616
Net change in fund balances	\$ 1,781,015	\$ 58,978	\$ (84,335)	\$ 1,370,123	\$ (858,208)	\$ 2,346,493	\$ (1,092,667)	\$ 341,288	\$ (4,469,019)	\$ (4,376,502)
Ratio of debt service to capital expenditures	0.70	2.11	0.50	1.36	3.30	-	5.59	2.94	0.38	0.24

(a) Prior to 2008 expenses were grouped at the category level.

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 Actual Value (b)	Estimated Actual Value Per Capita	URA Assessed Value (a)
	Real Property	Personal Property, Manufactured Homes and Utility	Total Assessed Value					
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	42,941,979	1,469,837,639	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
2009	1,291,402,080	80,382,741	1,371,784,821	2,480,684,514	3.539	55.3	151,077	122,130,330
2008	1,232,396,640	75,704,328	1,308,100,968	2,447,653,225	3.723	53.4	149,566	122,130,330
2007	1,158,876,970	70,374,662	1,229,251,632	2,181,671,499	3.777	56.3	135,381	122,130,330
2006	1,057,361,030	70,294,192	1,127,655,222	1,696,960,871	3.887	66.5	113,585	82,828,438
2005	955,663,760	58,933,592	1,014,597,352	1,428,194,495	3.951	71.0	100,648	59,009,371

- (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.

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	
2014	\$ 2.8810	\$ 0.5513	\$ 3.4323	\$ 6.6659	\$ 0.4670	\$ 7.1329	\$ 4.5860	\$ 3.8966	\$ 8.4826	\$ 19.0478
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
2009	2.9428	0.5964	3.5392	6.2872	0.5322	6.8194	4.6844	3.7533	8.4377	18.7963
2008	2.9574	0.7652	3.7226	6.2681	0.6343	6.9024	4.7077	3.8792	8.5869	19.2119
2007	2.9699	0.8074	3.7773	5.4245	0.4723	5.8968	4.7276	2.2182	6.9458	16.6199
2006	3.0553	0.8315	3.8868	5.4766	0.5291	6.0057	4.8636	2.2465	7.1101	17.0026
2005	3.1058	0.8450	3.9508	5.3227	0.5474	5.8701	4.9438	2.5581	7.5019	17.3228

- (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	2014			2005		
	Taxable Assessed Value	Rank	Percentage of Total Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Assessed Value
Retail Property Partners	\$ 19,021,250	1	1.2%	\$ 13,552,380	1	1.3%
Target Corporation	15,961,911	2	1.0%			
Bir Sunfield, LLC	15,741,240	3	1.0%	12,064,390	2	1.2%
Portland General Electric	15,248,000	4	0.9%	8,542,000	6	0.8%
Creekview Crossing SPE LLC	13,182,980	5	0.8%			
Allied Systems Company	11,008,540	6	0.7%	10,076,720	4	1.0%
Juniper Ridge Investments, LLC	10,586,970	7	0.7%	8,069,830	7	0.8%
Langer Family LLC	9,681,840	8	0.6%			
Home Depot	9,607,884	9	0.6%	6,619,970	8	0.7%
JPMCC 2006-CIBC14 12th St	9,125,120	10	0.6%			
NW Natural Gas				9,265,600	5	0.9%
BMC West Corporation				10,383,742	3	1.0%
Eastern Western Corporation				5,928,470	9	0.6%
Brune Investment Company				4,868,460	10	0.5%
	<u>\$ 129,165,735</u>		<u>8.0%</u>	<u>\$ 89,371,562</u>		<u>8.8%</u>

CITY OF SHERWOOD
Sherwood, Oregon

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST SIX FISCAL YEARS**

<u>Fiscal Year Ended June 30</u>	<u>Taxes Levied</u>	<u>Current Tax Collections</u>	<u>Percent of Current Taxes Collected</u>	<u>Delinquent Tax Collections/Adj/ Discounts/Interest</u>	<u>Total Tax Collections</u>	<u>Outstanding Delinquent Taxes</u>	<u>Ratio of Total Tax Collections to Total Tax Levy</u>
City of Sherwood:							
2014	\$ 5,640,111	\$ 5,352,760	94.9%	\$ 162,500	\$ 5,515,260	\$ 124,851	97.8%
2013	5,389,489	5,130,153	95.2%	203,403	5,333,556	55,933	99.0%
2012	5,318,795	4,958,717	93.2%	319,935	5,278,652	40,143	99.2%
2011	5,255,367	4,967,960	94.5%	259,121	5,227,081	28,286	99.5%
2010	5,113,308	4,720,108	92.3%	373,097	5,093,205	20,103	99.6%
Prior Years						4,139	
Sherwood Urban Renewal Agency:							
2014	\$ 3,891,961	\$ 3,693,675	94.9%	\$ 112,132	\$ 3,805,807	\$ 86,154	97.8%
2013	3,237,484	3,081,701	95.2%	122,184	3,203,885	33,599	99.0%
2012	3,320,192	3,157,865	95.1%	137,268	3,295,133	25,059	99.2%
2011	3,182,555	3,002,910	94.4%	162,516	3,165,426	17,129	99.5%
2010	3,124,291	3,035,482	97.2%	76,526	3,112,008	12,283	99.6%
Prior Years						2,250	

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
2014	\$ 755,000	\$ 136,969	\$ 891,969	\$ 1,086,517	\$ 672,584	\$ 1,759,101	\$ 2,651,070	\$ 17,793,987	5.0%	14.9%
2013	735,000	157,625	892,625	6,426,542	933,451	7,359,993	8,252,618	22,058,623	4.0%	37.4%
2012	705,000	182,897	887,897	1,434,362	898,920	2,333,282	3,221,179	22,380,834	4.0%	14.4%
2011	3,050,000	243,091	3,293,091	18,912,857	1,284,595	20,197,452	23,490,543	22,045,928	14.9%	106.6%
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%
2009	655,000	283,501	938,501	1,674,606	1,094,784	2,769,390	3,707,891	14,540,746	6.5%	25.5%
2008	655,000	301,139	956,139	1,565,945	1,133,197	2,699,142	3,655,281	13,337,901	7.2%	27.4%
2007	645,000	317,239	962,239	1,325,761	1,018,090	2,343,851	3,306,090	12,008,267	8.0%	27.5%
2006	595,000	343,230	938,230	1,209,368	571,530	1,780,898	2,719,128	7,610,122	12.3%	35.7%
2005	575,000	367,746	942,746	716,493	482,723	1,199,216	2,141,962	12,334,370	7.6%	17.4%

(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	Population	Assessed Value	Bonded Debt (a)	Less Debt Service Fund	Net Bonded Debt	Governmental Activities Notes Payable (b)	Proprietary Activities Notes Payable (b)	Total Obligation	Ratio of Debt to Assessed Value		Debt Per Capita	
									Net Bonded Debt	Total Obligation	Net Bonded Debt	Total Obligation
2014	18,955	\$ 1,618,262,028	\$ 3,425,000	\$ 10,101	\$ 3,416,568	\$ 21,807,389	\$ 23,850,814	49,074,771	0.2%	3.0%	\$ 180	\$ 2,589
2013	18,575	1,546,354,883	4,180,000	8,432	4,171,568	22,959,865	24,701,435	51,832,868	0.3%	3.4%	225	2,790
2012	18,265	1,469,837,639	4,915,000	49,241	4,865,759	23,867,009	25,525,860	54,258,628	0.3%	3.7%	266	2,971
2011	18,255	1,478,503,863	5,620,000	47,382	5,572,618	22,302,146	26,239,664	54,114,428	0.4%	3.7%	305	2,964
2010	18,194	1,434,708,323	6,365,000	9,532	6,355,468	24,777,515	16,383,045	47,516,028	0.4%	3.3%	349	2,612
2009	16,700	1,371,784,821	7,035,000	27,999	7,007,001	28,359,751	10,477,015	45,843,767	0.5%	3.3%	420	2,745
2008	16,640	1,308,100,968	7,690,000	124,389	7,565,611	18,355,164	10,000,000	35,920,775	0.6%	2.7%	455	2,159
2007	16,420	1,229,251,632	8,345,000	104,833	8,240,167	19,921,293	10,000,000	38,161,460	0.7%	3.1%	502	2,324
2006	16,365	1,127,655,222	8,990,000	10,990	8,979,010	13,041,868	10,000,000	32,020,878	0.8%	2.8%	549	1,957
2005	16,115	1,014,597,352	9,505,000	51,856	9,453,144	11,121,197	-	20,574,341	0.9%	2.0%	587	1,277

(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

**COMPUTATION OF DIRECT AND OVERLAPPING
GENERAL OBLIGATION BONDS**

Jurisdiction	Net General Obligation Bonded Debt Outstanding	Percentage Applicable To City of Sherwood*	Amount Applicable to City of Sherwood	Net General Obligation Bonded Debt Outstanding Per Capita	Ratio of Net General Obligation Bonded Debt Outstanding to Estimated Actual Value
Direct:					
City of Sherwood	\$ 3,425,000	100.00%	\$ 3,425,000	\$ 184	0.16%
Overlapping					
Metro	2,396,989	1.08%	25,887		
Portland Community College	2,257,079	1.34%	30,245		
Tualatin Valley Fire and Rescue District	1,559,629	3.66%	57,082		
Washington County	650,191	3.21%	20,871		
School District 88J	<u>60,180,751</u>	55.09%	<u>33,153,576</u>		
	67,044,639		33,287,662		
 Total	 <u><u>\$ 70,469,639</u></u>		 <u><u>\$ 36,712,662</u></u>	 \$ 1,976	 1.74%

* The City of Sherwood does not calculate this percentage; it is provided by the State of Oregon
Source: Oregon State Treasury, Municipal Debt Advisory Commission

CITY OF SHERWOOD

Sherwood, Oregon

COMPUTATION OF LEGAL DEBT MARGIN

June 30, 2014

<u>Fiscal Year</u>	<u>Total Taxable Assessed Value</u>	<u>Taxable Assessed Value as a Percentage of Estimated Actual Value</u>	<u>Estimated Actual Value</u>
2014	\$ 1,618,262,028	77%	\$ 2,105,890,812
2013	1,546,354,883	77%	1,997,911,773
2012	1,469,837,639	72%	2,050,439,679
2011	1,478,503,863	68%	2,176,404,364
2010	1,434,708,323	62%	2,299,242,753
Debt limitations (3% of total real market value)			\$ 63,176,724
Outstanding Governmental Activities-General Obligation Debt			<u>3,425,000</u>
Net debt margin			\$ 59,751,724
Percentage of net debt margin available			<u>94.58%</u>
Percentage of net debt power exhausted			<u>5.42%</u>

Last Ten Fiscal Years

<u>Year</u>	<u>Debt Limit</u>	<u>Outstanding Indebtness June 30</u>	<u>Percentage of Net Debt Margin Available</u>
2014	\$ 63,176,724	\$ 3,425,000	94.58%
2013	59,937,353	4,180,000	93.03%
2012	61,513,190	4,915,000	92.01%
2011	65,292,131	5,620,000	91.39%
2010	68,977,283	6,365,000	90.77%
2009	74,420,535	7,035,000	90.55%
2008	73,429,597	7,690,000	89.53%
2007	65,450,145	8,345,000	87.25%
2006	50,908,826	8,990,000	82.34%
2005	42,845,835	9,505,000	77.82%

CITY OF SHERWOOD

Sherwood, Oregon

**DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS**

<u>July 1</u>	<u>Population (a)</u>	<u>Calendar Year</u>	<u>Median Age (b)</u>	<u>Average Household Size (b)</u>	<u>Per Capita Income</u>	
					<u>City of Sherwood</u>	<u>Washington County (b)</u>
2014	18,955	2014				
2013	18,575	2013				
2012	18,265	2012				
2011	18,255	2011				
2010	18,194	2010	32.1	2.8	\$ 32,525	\$ 30,900
2009	16,640	2009				
2008	16,420	2008				
2007	16,365	2007				
2006	16,115	2006				
2005	14,940	2005				

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

(b) 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.

CITY OF SHERWOOD
 Sherwood, Oregon

MISCELLANEOUS STATISTICS
June 30, 2014

Date of incorporation
 Form of government

1893
 Council/Manager

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Number of employees	98	95	96	96	94	88	89	89	93	83
Area in square miles	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.3	4.2	4.2
Miles of street	55	55	55	50	50	50	50	50	54	54
Culture and recreation:										
Senior/teen centers	2	2	2	2	2	2	2	2	2	2
Recreation centers	2	2	2	2	2	2	2	2	2	2
Acres of sports fields	55	55	55	61	61	61	54	54	26	26
Acres of maintained passive parks	57	57	57	67	67	67	67	67	67	67
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	3	3	3	3	3
Number of middle and high schools in the City	3	3	3	3	3	2	2	2	2	2

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



Talbot, Korvola
& Warwick, LLP

Certified Public Accountants
& Consultants

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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

City Council
City of Sherwood
Sherwood, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Sherwood, Oregon (the City) as of and for the year ended June 30, 2014, and have issued our report thereon dated December 3, 2014.

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 162-10-320 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.
- 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).

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 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

**INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS (Continued)**

Page 2

OAR 162-10-0230 INTERNAL CONTROL

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. Deficiencies in internal control, if any, were communicated separately.

RESTRICTIONS ON USE

This report is intended solely for the information and use of the City Council, the 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.

A handwritten signature in blue ink, appearing to read "W. K. ...", is written over the printed name of the auditor.

Lake Oswego, Oregon
December 3, 2014