

CITY OF SHERWOOD
Sherwood, Oregon

Comprehensive Annual Financial Report

Year Ended June 30, 2013

Prepared by

City of Sherwood

Finance Department

CITY OF SHERWOOD

TABLE OF CONTENTS

<u>INTRODUCTORY SECTION:</u>	<u>Page</u>
Letter of Transmittal	i
GFOA's Certificate of Achievement for Excellence in Financial Reporting	vi
City Officials	vii
Organization Chart	viii
<u>FINANCIAL SECTION:</u>	
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet-Governmental Funds	17
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position	18
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Net Position-Enterprise Funds	21
Statement of Revenues, Expenses and Changes in Fund Net Position-Enterprise Funds	22
Statement of Cash Flows-Enterprise Funds	23
Notes to Basic Financial Statements	24
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedules of Revenues, Expenditures, Other Financing Sources (Uses) and Change in Fund Balance-Budget and Actual:	
General Fund	42
Urban Renewal Operations	43
Street Operations Fund	44
OTHER SUPPLEMENTARY INFORMATION:	
Schedule of Revenues, Expenditures, Other Financing Sources (Uses) and Change in Fund Balance-Major Capital Projects Funds -Budget and Actual-	
Urban Renewal Capital Fund	45
Street Capital Fund	46
Combining Balance Sheet-Nonmajor Governmental Funds	47
Combining Statement of Revenues, Expenditures, Other Financing Sources (Uses) and Change in Fund Balance-Nonmajor Governmental Funds	48
Schedule of Revenues, Expenditures, Other Financing Sources (Uses) and Change in Fund Balance-Nonmajor Governmental Funds -Budget and Actual-	
Debt Service Fund	49
General Construction Fund	50

CITY OF SHERWOOD

TABLE OF CONTENTS (Continued)

	Page
FINANCIAL SECTION (Continued):	
OTHER SUPPLEMENTARY INFORMATION (Continued):	
Schedule of Revenues, Expenditures, Other Financing Sources (Uses) and Change in Fund Balance-Business Type Funds -Budget and Actual-	
Water Fund	51
Sanitary Fund	52
Storm Fund	53
Telecommunications Fund	54
Schedule of Property Tax Transactions	55
STATISTICAL SECTION	
Government-Wide Net Position-Last Ten Fiscal Years	57
Change in Net Position-Last Ten Fiscal Years	58
Governmental Fund Balance-Last Ten Fiscal Years	59
Change in Fund Balances of Governmental Funds-Last Ten Fiscal Years	60
Assessed and Estimated Actual Value of Property-Last Ten Fiscal Years	61
Property Tax Rates-Direct and Overlapping Governments-Last Ten Fiscal Years	62
Principal Tax Payers-Current Year and Nine Years Ago	63
Property Tax Levies and Collections-Last Six Fiscal Years	64
Ration of Debt Service Expenditures to General Governmental Expenditures-Last Ten Fiscal Years	65
Ratio of Debt to Assessed Value and Debt Per Capita-Last Ten Fiscal Years	66
Computation of Direct and Overlapping General Obligation Bonds	67
Computation of Legal Debt Margin-June 30, 2013	68
Demographic Statistics-Last Ten Fiscal Years	69
Construction-Last Ten Fiscal Years	70
Miscellaneous Statistics-Last Ten Fiscal Years	71
<u>INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS</u>	72

INTRODUCTORY SECTION



Home of the Tualatin River National Wildlife Refuge

January 31, 2014

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

Citizens of Sherwood
Honorable Mayor
Members of the City Council

Mayor
Keith Mays

Council President
Dave Grant

Councilors
Linda Henderson
Robyn Folsom
Bill Butterfield
Matt Langer
Krisanna Clark

City Manager
Joseph P. Gall, ICMA-CM



2009 Top Ten Selection



2007 18th Best Place to Live



It is our pleasure to present you with the Fiscal Year 2013 Comprehensive Annual Financial Report (CAFR). This report documents the financial position of the City as of June 30, 2013 and the financial results for the fiscal year that ended on that date. We believe that the information contained herein is accurate in all material respects and is presented in a manner that complies with financial reporting requirements.

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

We hereby issue this Comprehensive Annual Financial Report of the City of Sherwood for the fiscal year ended June 30, 2013. 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.

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 third 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, 2013. 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 18,265 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. 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

Unlike many other municipalities in the state, Sherwood has held its own during this recession. The two main revenue sources for general government purposes, property taxes and franchise fees, have not fallen in Sherwood as they have in other jurisdictions; reflecting a stable, and slow growing economic environment.

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 higher 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. During this same two decades (1990 through 2010) Sherwood's Median Household Income (MHI) has increased from \$28,835 (98% of State Average) to \$80,358 (150% of State Average). Compared to Washington County at \$66,490 and Oregon at \$53,104, it is considered one of the more affluent communities in the State. The income bracket of \$100,000 - \$149,999 accounts for 31% 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. Fifty-five percent of Oregon municipalities have seen their tax receipts fall as their market values have fallen below assessed value.

	Market Value	Assessed Value
Residential	\$ 1,431	\$ 1,173
Commercial/Industrial	369	228
All Other	199	145
Totals	<u>\$ 1,998</u>	<u>\$ 1,546</u>

The difference between Market and Assessed Values is \$452 million,
or 23% of Market Value

Source: Washington County Assessment and Taxation

Taxpayer	Assessed Value	Percentage of Total Assessed Value
Retail Property Partners	\$ 18,467	1.2%
Target Corporation	15,664	1.0%
Northwest Natural Gas Co.	15,664	1.0%
Bir Sunfield, LLC	15,283	1.0%
Creekview Crossing SPE LLC	12,799	0.8%
Portland General Electric	12,483	0.8%
Allied Systems Company	11,043	0.7%
Juniper Ridge Investments, LLC	10,279	0.7%
Home Depot	9,884	0.6%
JPMCC 2006-CIBC14 12th St	7,961	0.5%
Total	<u>\$ 129,526</u>	<u>8.4%</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 process 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. Conversion of an old machine shop building into a community center that will house a theater and classrooms will break ground in January 2014. 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 almost complete with the construction of a 101 unit apartment complex opening in early 2014.

Water Supply Upgrade: The City is in the final stage of converting its primary municipal water supply from well water to surface water. In cooperation with the City of Wilsonville, a 48-inch pipeline is being completed between the Wilsonville water treatment plant on the Willamette River and Sherwood. Combined with upgrades to the plant, Sherwood will soon complete this project and it will provide for a steady and reliable source of municipal water.

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 a planned 189,000 square foot retail shopping center development on approximately 19 acres of a 55 acre site. The shopping center is scheduled to open in the fall of 2014.

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 FY14 is \$41 million. Only \$9.8 million (24%) of the revenue supporting the budget is available for general purposes. The remaining portion of the budget (\$31.2 million) is constrained by statute or loan covenants to specific purposes, primarily infrastructure construction and maintenance.

Debt: As of June 30, 2013, the City had outstanding general obligation debt of \$4.2 million and outstanding notes payable of \$47.6 million. Total debt was \$51.8 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 auditing standards, Government 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, 2013. Their opinion 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, 2012. In order to be awarded a Certificate of Achievement, the government published 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 2012–2013 and 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.

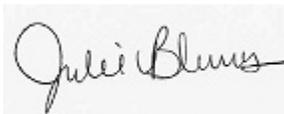
The preparation of this report was made possible by the dedicated service of the staff of the Finance department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

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, 2012

Jeffrey R. Egan

CITY OF SHERWOOD

**CITY OFFICIALS
JUNE 30, 2013**

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
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Dave Grant 14845 SW Brooke Court Sherwood, OR 97140		December 31, 2014
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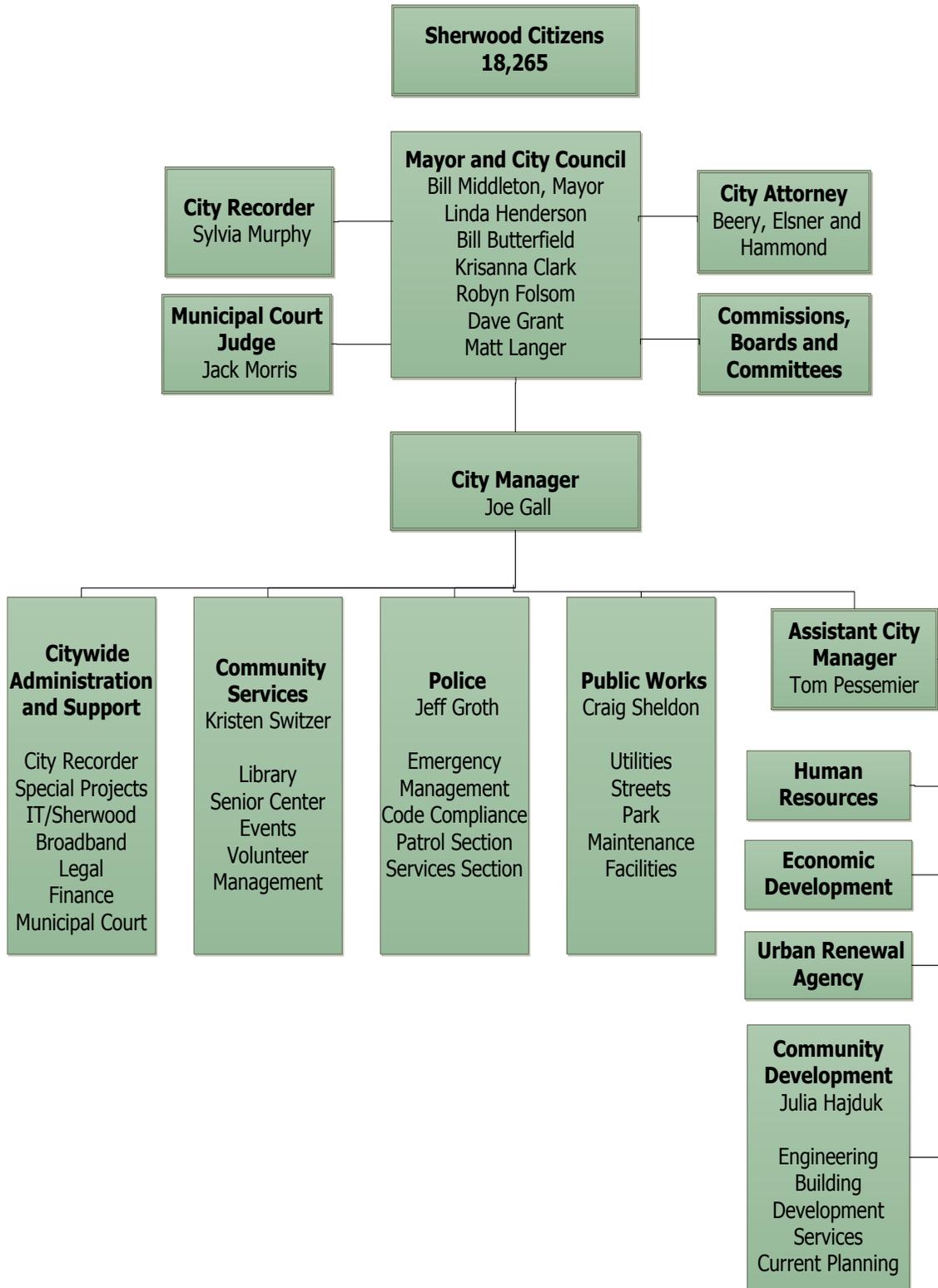
Matt Langer 21315 SW Baler Way Sherwood, OR 97140		December 31, 2014
---	--	-------------------

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

PRINCIPAL ADMINISTRATIVE OFFICIALS

Joe Gall, City Manager
Julie Blums, Finance Director

2013 CITY OF SHERWOOD ORGANIZATION CHART



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT



**Talbot, Korvola
& Warwick, LLP**

Certified Public Accountants
& Consultants

4800 Meadows Road, Suite 200
Lake Oswego, Oregon 97035-4293

P 503.274.2849
F 503.274.2853

www.tkw.com

INDEPENDENT AUDITOR'S REPORT

January 31, 2014

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, 2013, 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
January 31, 2014
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, 2013, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying budgetary comparison information for the General Fund and major special revenue funds, listed in the Table of Contents as Required Supplementary Information, is not a required part of the basic financial statements but is presented for purposes of additional analysis, and 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
January 31, 2014
Page 3

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 relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

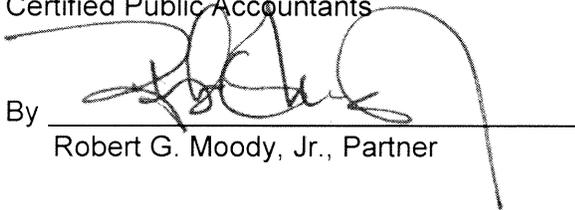
The Introductory and Statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

REPORTS ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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 January 31, 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
Certified Public Accountants

By 
Robert G. Moody, Jr., Partner

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF SHERWOOD, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

This section of the City of Sherwood's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013 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, 2013 ("FY13"). 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 FY13 by \$135.9 million (net position). Of this amount, \$17.9 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 \$2.5 million (1.8%) during FY13.
- Current assets were \$29 million at the end of FY13. Of that amount, \$24.1 million (83%) of current assets were in cash and cash equivalents. Sherwood's current assets increased by \$2.1 million (7.2%) during FY13. The primary change is due to a prepayment and intergovernmental receivable on the Wilsonville water project.
- Sherwood had capital assets (net of depreciation) of \$166.7 million at the end of FY13. Sherwood's capital assets decreased by \$1.3 (0.7%) million during FY13. The decrease is due to the sale of land and depreciation.

At the Consolidated Fund Level

- In the aggregate, the governmental funds' ending fund balance was \$12.1 million, an increase of approximately \$59 thousand (0.4%) for the fiscal year.
- In the aggregate, the Enterprise funds' ending fund balance equivalent, *Net Position*, was \$71 million, an increase of \$2.3 million (3.2%) for the year.
- Total FY13 Property Tax revenue was \$8.38 million, a decrease of 0.2% from FY12 levels. This decrease is due to a reduction in the amount levied for debt service resulting from the refinancing of bonds to obtain a lower interest rate.

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
JUNE 30, 2013

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 all of the City's assets and liabilities, with the difference between the two 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, 2013.

Both of these statements are divided into two categories: *Governmental Activities* and *Business-type 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.

Business-Type 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 \$133.4 million to \$135.9 million during FY13. This was an increase of \$2.5 million or 1.8%.

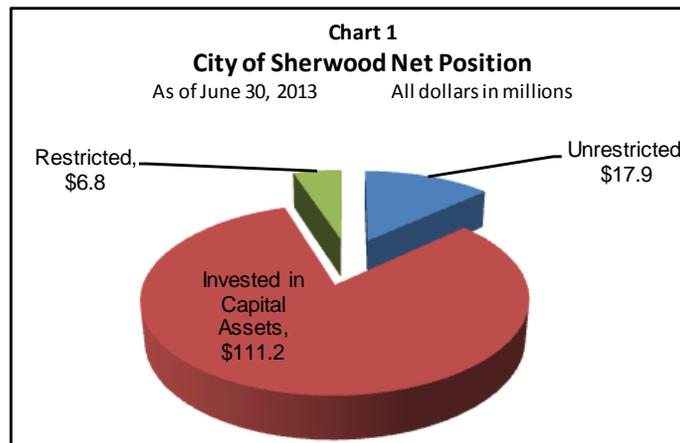
CITY OF SHERWOOD, OREGON

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

2. OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Table 1						
Sherwood's Net Position						
At Fiscal Year End (June 30, 2013 and 2012)						
<i>In Millions of Dollars</i>						
	Governmental Activities		Business-type Activities		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
ASSETS:						
Current and Other Assets	\$ 14.1	\$ 13.1	\$ 14.9	\$ 13.8	\$ 29.0	\$ 26.9
Capital assets	<u>84.6</u>	<u>86.3</u>	<u>82.1</u>	<u>81.7</u>	<u>166.7</u>	<u>168.0</u>
TOTAL ASSETS	98.7	99.4	97.0	95.5	195.8	194.9
LIABILITIES:						
Current liabilities	4.0	2.6	1.9	1.8	5.9	4.4
Long-term liabilities	<u>29.9</u>	<u>32.2</u>	<u>24.1</u>	<u>24.9</u>	<u>54.0</u>	<u>57.1</u>
TOTAL LIABILITIES	33.9	34.8	26.0	26.7	59.9	61.5
NET POSITION:						
Invested in capital assets, net of related debt	52.9	53.8	58.3	59.7	111.2	113.5
Restricted	2.9	4.4	3.9	3.2	6.8	7.6
Unrestricted	<u>9.1</u>	<u>6.4</u>	<u>8.8</u>	<u>5.9</u>	<u>17.9</u>	<u>12.3</u>
TOTAL NET POSITION	<u>\$ 64.9</u>	<u>\$ 64.6</u>	<u>\$ 71.0</u>	<u>\$ 68.8</u>	<u>\$ 135.9</u>	<u>\$ 133.4</u>

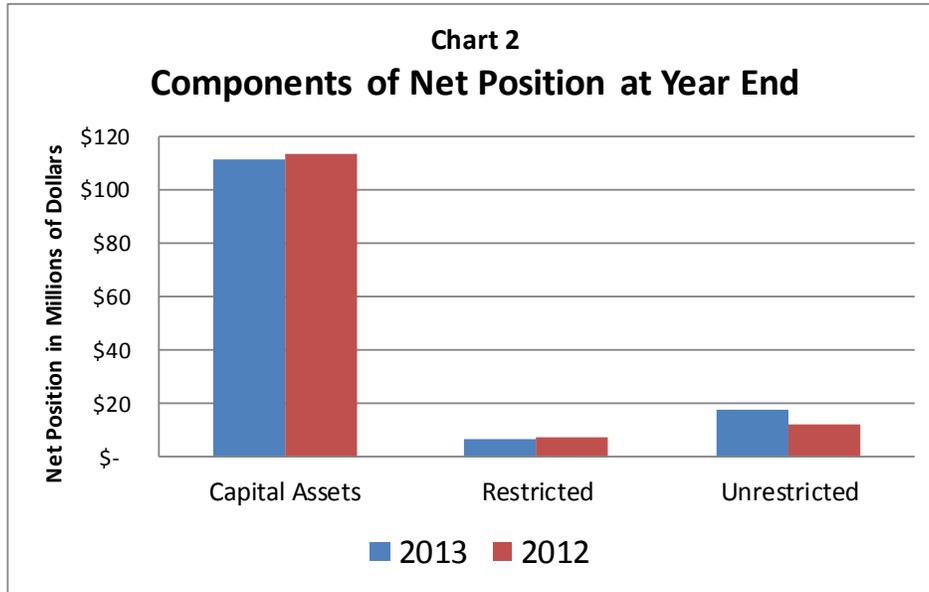
As Chart 1 below shows, the City's net investment in capital assets accounts for the majority of the City's net position. The City has invested \$111.2 million in land, buildings, equipment, and infrastructure (less depreciation and outstanding debt used to acquire those assets). The City uses these assets to provide services to its citizens so they are not assets that are available for future spending. Restricted net position (\$6.8 million) relates to amounts that are legally restricted for specific future obligations. Unrestricted net position (\$17.9 million) is available to meet the City's on-going obligations.



CITY OF SHERWOOD, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

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 2013 and 2012. This information is broken into Governmental Activities and Business-Type 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 decreased by a net of \$3 million (15%) primarily due to a reduction in loan proceeds for capital projects. Property Taxes showed a decrease of \$0.2 million (2.4%). The decrease is due to a reduction in tax levy needed for debt service payments.
- Total expenses increased \$0.5 million in FY13 mainly due to increased staff in Administration and an increase in private development activity for Community Development staff.

Business-Type Activities

- Revenue increased by \$1.1 million (15.9%) with a \$0.5 million (100%) increase in contributions to capital projects due to increased SDC revenue from development and a \$0.6 million (8.6%) increase in utility rate payer revenue.
- Expenses increased by \$2.2 million (61.1%), with the construction of capital assets mainly in the Water Fund.

CITY OF SHERWOOD, OREGON

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

2. OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Even with all the variances noted above, total revenue for FY13 exceeded total expenses by \$2.5 million boosting total net position to \$135.9 million at year end.

Table 2						
Statement of Activities and Changes in Net Position						
At Fiscal Year End (June 30, 2013 and 2012)						
<i>In Millions of Dollars</i>						
	Governmental		Business-type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Revenues						
<u>Program Revenues</u>						
Charges for services	\$ 2.3	\$ 2.4	\$ 6.9	\$ 6.3	\$ 9.2	\$ 8.7
Operating grants/contributions	2.6	2.4	-	-	2.6	2.4
Capital grants/contributions	1.2	4.2	1.0	0.5	2.3	4.7
<u>General revenues</u>						
Property taxes	8.3	8.5	-	-	8.3	8.5
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	<u>\$ 16.4</u>	<u>\$ 19.4</u>	<u>\$ 8.0</u>	<u>\$ 6.9</u>	<u>\$ 24.4</u>	<u>\$ 26.3</u>
Expenses						
<u>Governmental Activities</u>						
Administration	\$ 2.9	\$ 2.5	\$ -	\$ -	\$ 2.9	\$ 2.5
Community development	3.7	3.2	-	-	3.7	3.2
Public safety	3.3	3.3	-	-	3.3	3.3
Community services	1.4	1.4	-	-	1.4	1.4
Public works	3.8	4.1	-	-	3.8	4.1
Interest on long-term debt	1.1	1.1	-	-	1.1	1.1
<u>Business-type Activities</u>						
Water	-	-	4.1	2.1	4.1	2.1
Sanitary	-	-	0.5	0.5	0.5	0.5
Storm	-	-	0.9	0.9	0.9	0.9
Telecommunications	-	-	0.2	0.1	0.2	0.1
Total expenses	<u>\$ 16.2</u>	<u>\$ 15.6</u>	<u>\$ 5.8</u>	<u>\$ 3.6</u>	<u>\$ 21.9</u>	<u>\$ 19.2</u>
Change in net position before transfers	0.2	3.8	2.3	3.3	2.5	7.1
Transfers in/(out)	0.0	0.2	(0.0)	(0.2)	-	-
Change in net position	\$ 0.2	\$ 4.0	\$ 2.3	\$ 3.1	\$ 2.5	\$ 7.1
Beginning Net Position	64.6	60.7	68.8	65.8	133.4	126.5
Ending Net Position	\$ 64.8	\$ 64.6	\$ 71.0	\$ 68.8	\$ 135.9	\$ 133.4

CITY OF SHERWOOD, OREGON

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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 *Business-Type* activities split.

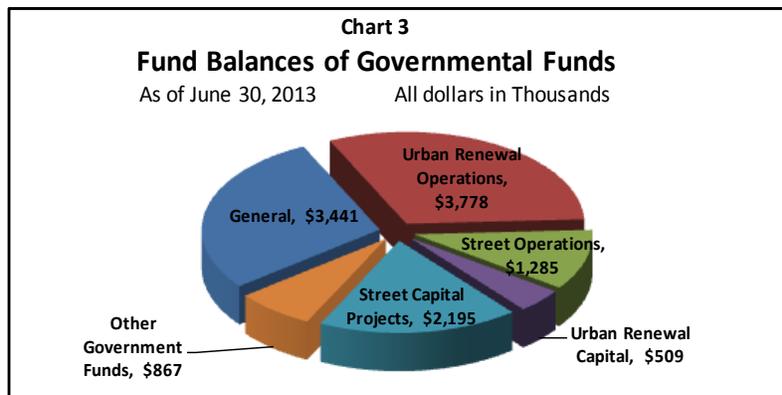
Government Funds in Total

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 business-type funds, which rely on user fees directly related to the provision of services. The focus of business-type funds is on the long term sustainability of the functions, similar to the focus of private sector entities. Net assets are the key indicator of that sustainability.

Ending fund balances for the Governmental Funds increased by \$59,000 (0.4%) as shown in Table 3 below.

Table 3 Government Funds: Changes in Fund Balance Fiscal Year 2013							
	<i>On a Modified Accrual Basis</i>			<i>In Thousands of Dollars</i>			
	General	Urban Renewal Operations	Street Operations	Urban Renewal Capital	Street Capital Projects	Other Government Funds	Totals
Beginning Fund Balances	\$ 3,123	\$ 1,857	\$ 988	\$ 3,078	\$ 2,335	\$ 635	\$ 12,016
Change in Fund Balances	318	1,921	297	(2,569)	(140)	232	59
Ending Fund Balances June 30, 2013	\$ 3,441	\$ 3,778	\$ 1,285	\$ 509	\$ 2,195	\$ 867	\$ 12,075

- The Urban Renewal Capital Projects fund experienced the largest swing in fund balance as expected due to the use of fund balance for capital projects. In this fund revenue is generated and spent on projects, but not necessarily in the same fiscal year.
- The Urban Renewal Operations fund balance increased \$1.9 million due to a reduction in expenditures.
- The increase in Other Government funds is due to the establishment of reserves for turf replacement at Snyder Park.



CITY OF SHERWOOD, OREGON

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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

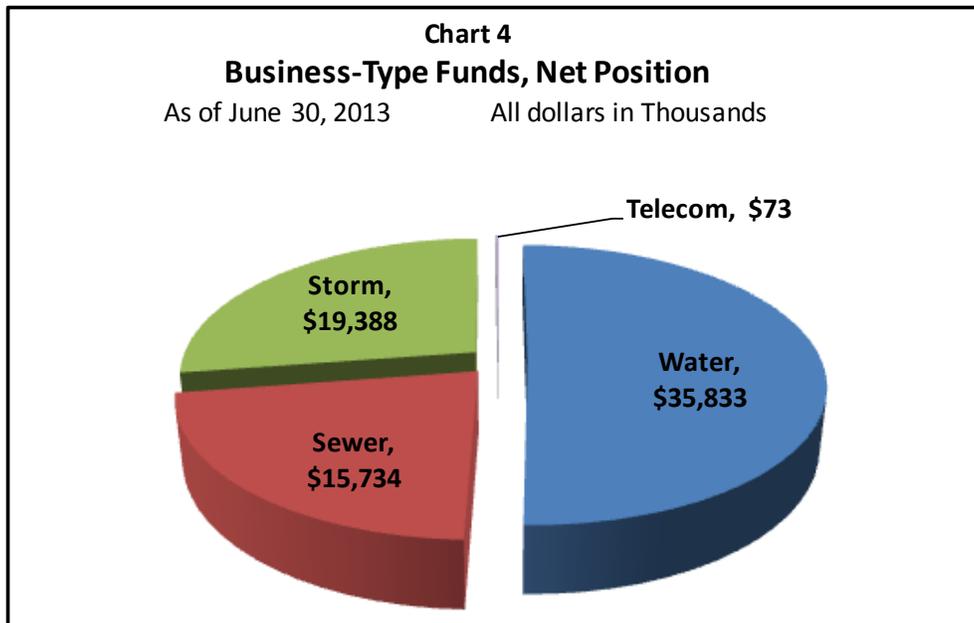
Business-Type Funds

Table 4 and Chart 4 show that ending net position for the business-type funds ended the year at \$71 million, \$2.2 million (3.2%) higher than last year.

Changes over FY13 include:

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

Table 4					
Business-Type Funds, Changes in Net Position					
Fiscal Year 2013					
	<i>On an Accrual Basis</i>		<i>In Thousands of Dollars</i>		
	Water	Sewer	Storm	Telecom	Totals
Beginning Net Position	\$ 34,904	\$ 15,374	\$ 18,564	\$ (71)	\$ 68,771
Change in Net Position	929	361	823	143	2,257
Net Position June 30, 2013	\$ 35,833	\$ 15,734	\$ 19,388	\$ 73	\$ 71,028



CITY OF SHERWOOD, OREGON

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

4. GENERAL FUND BUDGETARY HIGHLIGHTS

Original Budget Compared to Final Budget. The General Fund budgetary schedule; (on page 42) shows that the original budget was altered with an appropriation transfer in the amount of \$300,000. This change to the budget was made to accommodate the hiring of a Receptionist and to transfer money to the General Construction fund for the replacement of the turf field at Snyder Park.

Final Budget Compared to Actual Results. The year-end fund balance was \$1.1 million higher than budgeted contingency with major variances as follows.

Revenue

- Building and planning permit revenue was \$203 thousand over budget. Beginning fund balance was \$274 thousand higher than budgeted from savings from the prior fiscal year.

Expenditures

- Staffing vacancies, deferred maintenance, and limited spending led to expenditures uniformly under budget in all programs.

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 five years. The fund balance has increased over this period to \$3 million (budget-basis).

5. CAPITAL ASSETS

Government wide, capital assets decreased to \$166.7 million in FY13. This was a decrease of \$1.4 million (0.8%).

Table 5						
Government Wide Capital Assets						
Net of Depreciation						
At Fiscal Year End (June 30, 2013 and 2012)						
<i>In Millions of Dollars</i>						
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 12.5	\$ 13.2	\$ 0.3	\$ 0.3	\$ 12.8	\$ 13.5
Intangibles	5.8	5.8	1.5	1.3	7.3	7.1
Construction In Progress	4.7	1.7	0.9	0.6	5.6	2.3
Infrastructure	38.1	40.7	78.8	78.8	116.9	119.5
Buildings & Improvements	22.4	23.8	-	-	22.4	23.8
Vehicles & Equipment	1.1	1.2	0.6	0.7	1.7	1.9
Total Capital Assets	\$ 84.6	\$ 86.4	\$ 82.2	\$ 81.7	\$ 166.7	\$ 168.1
Accumulated Depreciation	\$ 41.2	\$ 36.3	\$ 9.8	\$ 8.7	\$ 51.0	\$ 45.0

CITY OF SHERWOOD, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

5. CAPITAL ASSETS (Continued)

Major changes to capital assets are as follows:

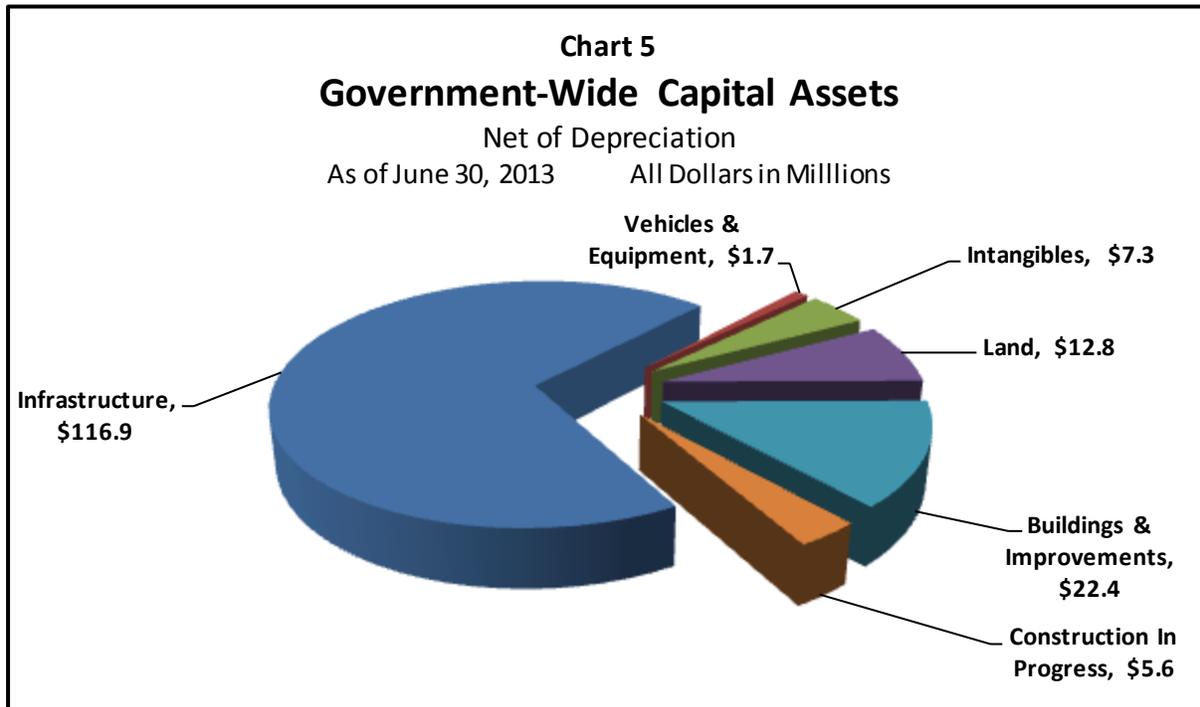
Governmental Activities

- Construction of new streets, \$2.9 million
- Remodel at the Senior Center, \$0.1 million
- Park and Trail projects, \$0.2 million
- Community Center, \$1.32 million
- Purchase of land, \$0.23 million
- Sale of land, \$0.9 million

Business-Type Activities

- Water pipeline to Wilsonville, \$0.6 million
- Sanitary line upgrades, \$0.1 million
- Columbia St Water Quality Facility, \$0.04 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 III.C.



CITY OF SHERWOOD, OREGON

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

6. DEBT OUTSTANDING

On June 30, 2013, the City had a long term debt obligation of \$51.8 million. Of this amount, \$4.2 million will be serviced by dedicated property taxes and \$22.1 million will be serviced by tax increment revenues. \$25.4 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.

Table 6						
Outstanding Debt at Fiscal Year End						
At Fiscal Year End (June 30, 2013 and 2012)						
<i>In Millions of Dollars</i>						
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Full Faith and Credit	\$ 0.7	\$ 0.8	\$ 24.7	\$ 25.5	\$ 25.4	\$ 26.3
General Obligation Bonds	4.2	4.9	-	-	4.2	4.9
Tax Increment Revenue	22.1	23.0	-	-	22.1	23.0
Capital Leases	0.1	0.1	-	-	0.1	0.1
Total Outstanding Debt	\$ 27.1	\$ 28.8	\$ 24.7	\$ 25.5	\$ 51.8	\$ 54.3

Outstanding Debt decreased by the principal payments made on debt in FY13. The only major change in the City's debt structure was the refinancing of two URA loans to take advantage of lower interest rates. Additional information regarding the City's long-term obligations may be found in Note III.D. of the Notes to Basic Financial Statements.

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 slightly having a minimal impact on the City's revenue. Current year property tax receipts are tracking equal to last year's as of the date of this document. The same is true for the other General Fund revenue sources. So, limited increases in General Fund revenue will be forecast in next year's budget. Any significant increases, specifically planning and building permit fees will have offsetting expenditure increases required to provide the services.

The fees required to support the City's business-type 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
JUNE 30, 2013**

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 (both collective bargaining agreements expire on June 30, 2014) and an anticipated increase in the cost of medical insurance. Little to no increase in staffing level is anticipated.

The one area that does show signs of improvement is commercial and residential development. The City's planning department has had interactions with developers regarding several pending residential and commercial developments. Significant projects are in land use or building permit review. Indications from the developers are that improved economic factors will be the determinative role in the execution of those projects. If they are initiated, then the development fees will trigger higher than anticipated spending on permit reviews and building inspections.

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 blumsi@sherwoodoregon.gov.

BASIC FINANCIAL STATEMENTS

CITY OF SHERWOOD
Sherwood, Oregon

STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and investments	\$ 9,043,451	\$ 6,659,777	\$ 15,703,228
Restricted Cash	3,307,160	5,084,705	8,391,865
Prepays	136,111	1,191,759	1,327,870
Receivables, net	800,340	766,898	1,567,238
Due from other government	-	1,387,807	1,387,807
Bond Issuance Costs	352,179	319,183	671,362
Internal balances	475,664	(475,664)	-
Capital assets:			
Land, improvements and construction in progress	22,986,731	2,612,354	25,599,085
Other capital assets, net	61,635,477	79,472,576	141,108,053
TOTAL ASSETS	98,737,113	97,019,395	195,756,508
LIABILITIES:			
Accounts payable	975,570	213,950	1,189,520
Other liabilities	315,465	490,288	805,753
Accrued interest	181,172	284,054	465,226
Long-term obligations:			
Due within one year	2,484,375	886,169	3,370,544
Due in more than one year	29,923,630	24,117,585	54,041,215
TOTAL LIABILITIES	33,880,212	25,992,046	59,872,258
NET POSITION:			
Net investment in capital assets	52,838,930	58,296,986	111,135,916
Restricted	2,898,423	3,939,196	6,837,619
Unrestricted	9,119,548	8,791,167	17,910,715
TOTAL NET POSITION	\$ 64,856,901	\$ 71,027,349	\$ 135,884,250

See notes to basic financial statements.

CITY OF SHERWOOD
Sherwood, Oregon

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

ACTIVITIES	Expenses	Program Revenues			Net Revenue (Expense) and Change in Net Position		Totals
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Primary government:							
Governmental activities:							
Administration	\$ 2,883,811	\$ 924,121	\$ 468,939	\$ -	\$ (1,490,751)	\$ -	\$ (1,490,751)
Community Development	3,666,015	535,078	28,237	1,210,672	(1,892,028)	-	(1,892,028)
Public Safety	3,265,114	22,655	47,402	27,319	(3,167,738)	-	(3,167,738)
Community Services	1,431,554	279,359	796,775	-	(355,420)	-	(355,420)
Public Works	3,841,187	574,717	1,225,509	2,917	(2,038,044)	-	(2,038,044)
Interest on long-term obligations	1,091,076	-	-	-	(1,091,076)	-	(1,091,076)
Total governmental activities	16,178,757	2,335,930	2,566,862	1,240,908	(10,035,057)	-	(10,035,057)
Business-type activities:							
Water	4,108,763	4,511,739	-	525,725	-	928,701	928,701
Sewer	549,521	554,285	-	331,699	-	336,463	336,463
Storm	942,614	1,525,022	-	187,870	-	770,278	770,278
Telecommunications	174,794	318,075	-	-	-	143,281	143,281
Total business type activities	5,775,692	6,909,121	-	1,045,294	-	2,178,723	2,178,723
Total	\$ 21,954,449	\$ 9,245,051	\$ 2,566,862	\$ 2,286,202	(10,035,057)	2,178,723	(7,856,334)
GENERAL REVENUES							
Property taxes					8,346,589	-	8,346,589
Franchise taxes and fees					1,580,367	-	1,580,367
Unrestricted interest earnings					97,290	82,906	180,196
Miscellaneous					226,069	-	226,069
TRANSFERS					5,698	(5,698)	-
Total General Revenues and Transfers					10,256,013	77,208	10,333,221
CHANGE IN NET POSITION					220,956	2,255,931	2,476,887
NET POSITION, June 30, 2012					64,635,945	68,771,418	133,407,363
NET POSITION, June 30, 2013					\$ 64,856,901	\$ 71,027,349	\$ 135,884,250

See notes to basic financial statements.

CITY OF SHERWOOD
Sherwood, Oregon

GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2013

	General Fund	Urban Renewal Operations Fund	Street Operations Fund	Urban Renewal Capital Fund	Street Capital Fund	Other Nonmajor Governmental Funds	Totals
ASSETS:							
Cash and investments	\$ 2,995,990	\$ 3,999,565	\$ 1,277,679	\$ 164,837	\$ 39,019	\$ 566,361	\$ 9,043,451
Restricted Cash	181,052	-	-	735,449	2,156,778	233,881	3,307,160
Prepays	-	-	-	-	-	136,111	136,111
Receivables	512,982	163,138	50,278	-	-	73,942	800,340
Interfund loan receivable	475,664	-	-	-	-	-	475,664
TOTAL ASSETS	\$ 4,165,688	\$ 4,162,703	\$ 1,327,957	\$ 900,286	\$ 2,195,797	\$ 1,010,295	\$ 13,762,726
LIABILITIES:							
Accounts payable	\$ 356,065	\$ 235,000	\$ 17,369	\$ 363,727	\$ 387	\$ 3,022	\$ 975,570
Unavailable revenue	246,952	149,464	-	-	-	-	396,416
Other current liabilities	122,138	-	25,669	27,655	-	140,003	315,465
TOTAL LIABILITIES	725,155	384,464	43,038	391,382	387	143,025	1,687,451
FUND BALANCES:							
Nonspendable in form	475,664	-	-	-	-	136,111	611,775
Restricted for:							
Capital Projects	176,427	3,778,239	1,284,919	508,904	2,195,410	225,449	8,169,348
Debt Service	-	-	-	-	-	8,432	8,432
Committed to:							
School Dist	4,625	-	-	-	-	-	4,625
Capital Projects	63,971	-	-	-	-	252,812	316,783
Assigned to:							
Operations	-	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	244,466	244,466
Cultural Arts	1,261	-	-	-	-	-	1,261
Unassigned	2,718,585	-	-	-	-	-	2,718,585
TOTAL FUND BALANCES	3,440,533	3,778,239	1,284,919	508,904	2,195,410	867,270	12,075,275
TOTAL LIABILITIES AND FUND BALANCE	\$ 4,165,688	\$ 4,162,703	\$ 1,327,957	\$ 900,286	\$ 2,195,797	\$ 1,010,295	\$ 13,762,726

See notes to basic financial statements.

CITY OF SHERWOOD
Sherwood, Oregon

**RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2013**

TOTAL FUND BALANCE		\$ 12,075,275
Total net assets shown in the Statement of Net Assets are different because:		
Capital assets are not financial resources for budgetary purposes and therefore are not reported in the governmental funds.		
Cost	\$ 125,807,529	
Accumulated depreciation	<u>(41,185,321)</u>	84,622,208
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.		
		396,416
Compensated absences not payable in the current year are not recorded as governmental fund liabilities.		
		(408,529)
Long-term assets, such as bond discount and issuance costs, 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	\$ (26,994,228)	
Capital Leases	(145,817)	
SDC credits	(4,427,014)	
Premium on bonds	(432,417)	
Bond issuance costs	352,179	
Accrued interest payable	<u>(181,172)</u>	<u>(31,828,469)</u>
Total		
TOTAL NET POSITION		<u>\$ 64,856,901</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, 2013**

	General Fund	Urban Renewal Operations Fund	Street Operations Fund	Urban Renewal Capital Fund	Street Capital Fund	Other Nonmajor Governmental Funds	Totals
REVENUES:							
Property Taxes	\$ 4,381,867	\$ 3,143,480	\$ -	\$ -	\$ -	\$ 850,000	\$ 8,375,347
Franchises and fees	1,580,367	-	-	-	-	-	1,580,367
Intergovernmental	1,455,609	-	1,064,631	-	-	73,941	2,594,181
Charges for services	852,329	-	568,587	-	53,110	-	1,474,026
Infrastructure Development Fees	150,799	-	2,917	-	318,002	194,482	666,200
Fines and forfeitures	861,904	-	-	-	-	-	861,904
Interest on investments	19,245	17,417	6,325	15,886	15,128	23,289	97,290
Miscellaneous	212,443	30	-	30	1,794	11,772	226,069
TOTAL REVENUES	9,514,563	3,160,927	1,642,460	15,916	388,034	1,153,484	15,875,384
EXPENDITURES:							
Current:							
Administration	1,985,097	181,724	-	-	-	-	2,166,821
Community Development	878,160	-	46,796	-	-	67,237	992,193
Public Safety	3,259,944	-	-	-	-	-	3,259,944
Community Services	1,181,814	-	-	-	-	-	1,181,814
Public Works	1,382,882	-	907,286	-	-	-	2,290,168
Noncurrent							
Capital Outlay	152,236	-	391,348	2,541,611	577,921	251,949	3,915,065
Debt Service	140,442	7,170,718	-	-	-	941,458	8,252,618
TOTAL EXPENDITURES	8,980,575	7,352,442	1,345,430	2,541,611	577,921	1,260,644	22,058,623
Excess (deficiency) of revenues over expenditures	533,988	(4,191,515)	297,030	(2,525,695)	(189,887)	(107,160)	(6,183,239)
OTHER FINANCING SOURCES (USES)							
Issuance of long-term debt	-	5,619,298	-	-	-	-	5,619,298
Proceeds from Capital Lease	83,733	-	-	-	-	-	83,733
Proceeds from sale of capital assets	-	533,489	-	-	-	-	533,489
Transfers in	-	-	-	40,059	50,000	339,426	429,485
Transfers out	(300,000)	(40,059)	-	(83,728)	-	-	(423,787)
TOTAL OTHER FINANCING SOURCES (USES)	(216,267)	6,112,728	-	(43,669)	50,000	339,426	6,242,218
NET CHANGE IN FUND BALANCES	317,721	1,921,213	297,030	(2,569,364)	(139,887)	232,266	58,979
FUND BALANCES, beginning of year	3,122,812	1,857,026	987,889	3,078,268	2,335,297	635,004	12,016,296
FUND BALANCES, end of year	\$ 3,440,533	\$ 3,778,239	\$ 1,284,919	\$ 508,904	\$ 2,195,410	\$ 867,270	\$ 12,075,275

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, 2013**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	58,979
<p>Amounts reported for governmental activities in the Statement of Activities are different because of the following:</p>		
<p>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:</p>		
Expenditures capitalized	\$ 3,900,662	
Depreciation	<u>(4,876,939)</u>	(976,277)
Contributions of capital assets are not recorded as revenues in the fund statements		182,317
Other transactions related to capital assets not reported in the fund statements		(909,313)
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.		(28,758)
Proceeds from borrowing is reported as an other financing source in the fund statements, but increases long-term liabilities in the Statement of Net Position		(5,703,031)
SDC credits issued are not reported in the fund statements, but increase long term liabilities in the Statement of Net Position.		365,072
Principal payments on long-term obligations are expenditures in the governmental funds, but reduce long-term liabilities in the Statement of Net Position.		
Principal on capital lease	66,090	
Principal on bonds and notes	<u>7,075,316</u>	7,141,406
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	97,926	
Amortization of issuance costs	38,064	
Compensated absences	<u>(45,429)</u>	<u>90,561</u>
CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>220,956</u></u>

See notes to basic financial statements.

CITY OF SHERWOOD
Sherwood, Oregon

ENTERPRISE FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2013

	Water	Sewer	Storm	Nonmajor Fund	Totals
ASSETS:					
Current assets:					
Cash and cash equivalents	\$ 4,404,712	\$ 510,232	\$ 1,698,538	\$ 46,295	\$ 6,659,777
Restricted Cash	1,836,560	3,076,988	171,157	-	5,084,705
Prepays	1,191,759	-	-	-	1,191,759
Receivables, net	337,275	284,996	125,812	18,815	766,898
Due from other government	1,387,807	-	-	-	1,387,807
Unamortized issuance costs	13,878	-	-	-	13,878
Total current assets	9,171,991	3,872,216	1,995,507	65,110	15,104,824
Noncurrent assets:					
Unamortized issuance costs	305,305	-	-	-	305,305
Capital assets:					
Land, improvements and construction in progress	941,093	1,115,854	555,407	-	2,612,354
Other capital assets, net	50,875,516	11,156,219	16,954,197	486,644	79,472,576
Total capital assets	51,816,609	12,272,073	17,509,604	486,644	82,084,930
Total noncurrent assets	52,121,914	12,272,073	17,509,604	486,644	82,390,235
TOTAL ASSETS	61,293,905	16,144,289	19,505,111	551,754	97,495,059
LIABILITIES:					
Current liabilities:					
Accounts payable	193,302	10,203	8,539	1,906	213,950
Other Current Liabilities	64,659	387,199	38,430	-	490,288
Current portion of long-term obligations	872,927	5,143	7,496	603	886,169
Accrued interest payable	284,054	-	-	-	284,054
Interfund loan payable	-	-	-	475,664	475,664
Total current liabilities	1,414,942	402,545	54,465	478,173	2,350,125
Long-term liabilities	24,046,075	7,716	62,890	904	24,117,585
TOTAL LIABILITIES	25,461,017	410,261	117,355	479,077	26,467,710
NET POSITION:					
Net investment in capital assets	28,080,310	12,272,073	17,457,959	486,644	58,296,986
Restricted for capital improvements	691,051	3,076,988	171,157	-	3,939,196
Unrestricted	7,061,527	384,967	1,758,640	(413,967)	8,791,167
TOTAL NET POSITION	\$ 35,832,888	\$ 15,734,028	\$ 19,387,756	\$ 72,677	\$ 71,027,349

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, 2013**

	Water	Sewer	Storm	Nonmajor Fund	Totals
OPERATING REVENUES:					
Intergovernmental	\$ -	\$ 51,269	\$ -	\$ -	\$ 51,269
Charges for services	4,511,739	554,285	1,525,022	318,075	6,909,121
TOTAL OPERATING REVENUES	<u>4,511,739</u>	<u>605,554</u>	<u>1,525,022</u>	<u>318,075</u>	<u>6,960,390</u>
OPERATING EXPENSES:					
Personal services	598,866	254,222	343,135	15,246	1,211,469
Materials and services	2,247,771	137,089	399,712	131,806	2,916,378
Depreciation	725,486	158,210	199,767	24,382	1,107,845
TOTAL OPERATING EXPENSES	<u>3,572,123</u>	<u>549,521</u>	<u>942,614</u>	<u>171,434</u>	<u>5,235,692</u>
OPERATING INCOME	<u>939,616</u>	<u>56,033</u>	<u>582,408</u>	<u>146,641</u>	<u>1,724,698</u>
NONOPERATING INCOME (EXPENSE):					
System Development Fees	453,232	38,704	35,102	-	527,038
Interest Expense	(536,640)	-	-	(3,360)	(540,000)
Interest Earnings	49,978	24,052	8,707	169	82,906
TOTAL NONOPERATING INCOME (EXPENSE)	<u>(33,430)</u>	<u>62,756</u>	<u>43,809</u>	<u>(3,191)</u>	<u>69,945</u>
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	<u>906,186</u>	<u>118,789</u>	<u>626,217</u>	<u>143,450</u>	<u>1,794,642</u>
TRANSFERS					
Transfers in	-	-	44,302	-	44,302
Transfers out	(50,000)	-	-	-	(50,000)
TOTAL TRANSFERS	<u>(50,000)</u>	<u>-</u>	<u>44,302</u>	<u>-</u>	<u>(5,698)</u>
CONTRIBUTIONS					
Capital Contributions	72,493	241,726	152,768	-	466,987
CHANGE IN NET POSITION	<u>928,679</u>	<u>360,515</u>	<u>823,287</u>	<u>143,450</u>	<u>2,255,931</u>
NET POSITION, June 30, 2012	<u>34,904,209</u>	<u>15,373,513</u>	<u>18,564,469</u>	<u>(70,773)</u>	<u>68,771,418</u>
NET POSITION, June 30, 2013	<u>\$ 35,832,888</u>	<u>\$ 15,734,028</u>	<u>\$ 19,387,756</u>	<u>\$ 72,677</u>	<u>\$ 71,027,349</u>

See notes to basic financial statements.

CITY OF SHERWOOD
Sherwood, Oregon

ENTERPRISE FUNDS
STATEMENT OF CASH FLOWS
JUNE 30, 2013

	Water	Sewer	Storm	Nonmajor Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers	\$ 4,483,381	\$ 873,924	\$ 1,510,906	\$ 324,409	\$ 7,192,620
Payments to suppliers	(3,333,261)	(225,498)	(429,463)	(129,900)	(4,118,122)
Payments to employees	(601,835)	(253,525)	(339,001)	(14,511)	(1,208,872)
NET CASH FROM OPERATING ACTIVITIES	<u>548,285</u>	<u>394,901</u>	<u>742,442</u>	<u>179,998</u>	<u>1,865,626</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Transfers in	-	-	44,302	-	44,302
Transfers out	(50,000)	-	-	-	(50,000)
NET CASH FROM NON-CAPITAL FINANCING ACTIVITIES	<u>(50,000)</u>	<u>-</u>	<u>44,302</u>	<u>-</u>	<u>(5,698)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of capital assets	(634,034)	(177,165)	(211,746)	-	(1,022,945)
System development charges	453,232	38,704	35,102	-	527,038
Principal paid on long-term obligations	(831,853)	-	-	(146,640)	(978,493)
Interest paid on long-term obligations	(439,576)	-	-	(3,360)	(442,936)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,452,231)</u>	<u>(138,461)</u>	<u>(176,644)</u>	<u>(150,000)</u>	<u>(1,917,336)</u>
CASH FLOWS FROM INVESTMENT ACTIVITIES					
Due from other governments	(1,387,807)	-	-	-	(1,387,807)
Interest earnings	49,978	24,052	8,707	169	82,906
NET CASH FROM INVESTING ACTIVITIES	<u>(1,337,829)</u>	<u>24,052</u>	<u>8,707</u>	<u>169</u>	<u>(1,304,901)</u>
NET INCREASE (DECREASE) IN CASH	(2,291,775)	280,492	618,807	30,167	(1,362,309)
CASH AND CASH EQUIVALENTS, beginning of year	<u>8,533,047</u>	<u>3,306,728</u>	<u>1,250,888</u>	<u>16,128</u>	<u>13,106,791</u>
CASH AND CASH EQUIVALENTS, end 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>
RECONCILIATION TO THE STATEMENT OF NET POSITION					
Operating income	\$ 939,616	\$ 56,033	\$ 582,408	\$ 146,641	\$ 1,724,698
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	725,486	158,210	199,767	24,382	1,107,845
Amortization of issuance costs	13,879	-	-	-	13,879
Decrease (increase) in assets					
Prepays	(1,191,759)	-	-	-	(1,191,759)
Receivables, net	(42,237)	268,370	(14,116)	6,334	218,351
Increase (decrease) in liabilities					
Accounts payable	159,276	(124,923)	(34,692)	1,906	1,567
Compensated absences payable	(2,969)	697	4,134	735	2,597
Other current liabilities	(53,007)	36,514	4,941	-	(11,552)
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 548,285</u>	<u>\$ 394,901</u>	<u>\$ 742,442</u>	<u>\$ 179,998</u>	<u>\$ 1,865,626</u>
Summary of non-cash transactions:					
Contributions of capital assets from developers	\$ 72,493	\$ 241,726	\$ 152,768	\$ -	\$ 466,987

See notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2013

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 business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual 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, 2013

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. The City has elected to include the Street Capital Fund as a major fund in the current financial statements for consistency. Non-major funds are combined in a column in the fund financial statements and detailed as 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.

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

Urban Renewal 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.

CITY OF SHERWOOD, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic financial statements (Continued)

Proprietary Funds:

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

Enterprise funds:

- 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 are reported as non-major proprietary funds:

- 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.

CITY OF SHERWOOD, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement focus and basis of accounting (Continued)

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.

An unavailable revenue liability 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 liability 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.

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities, and net position or equity

1. *Cash and investments*

Cash and cash equivalents 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.

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 business-type 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.

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities, and net position or equity (Continued)

3. Capital assets (Continued)

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.

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 types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type 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. Issuance costs are reported separately and amortized over the term of the related debt.

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, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities, 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 assets, 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 government 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 or ordinance that places specific constraints on how the resources may be used. The City Council can modify or rescind the resolution or ordinance at any time through passage of an additional resolution or ordinance.
- Resources that are constrained by the government'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 or Finance Director, under authority granted by the City Council.
- 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, 2013**

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, the City will maintain an unrestricted fund balance of at least ten percent of fund revenue and will strive to increase that amount to a goal of 20%.

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013

II. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

Cash and Investments are reflected on the Statement of Net Position at June 30, 2013 as follows:

Governmental Activities	\$ 12,350,611
Business-type Activities	<u>11,744,482</u>
	<u>\$ 24,095,093</u>
Cash and investments consist of:	
Petty cash	\$ 900
Deposits with financial institutions	203,516
Investments	
Local Government Investment Pool	<u>23,890,677</u>
	<u>\$ 24,095,093</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, 2013, the City had deposits with financial institutions totaling \$3,106,567, 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, 2013

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, 2013, net of allowance for uncollectible amounts, are as follows:

In June of 2013 Sherwood’s Water Fund provided advanced capital funds to the City of Wilsonville for construction costs related to the last segment of the water pipeline and meter vault to Wilsonville. The City of Wilsonville will repay the City of Sherwood \$1,387,807 once the construction is complete.

	Governmental Funds	Business Type Funds	Total
Receivables:			
City of Wilsonville	\$ -	\$ 1,387,807	\$ 1,387,807
Property taxes	432,795	-	432,795
Court Fines	1,280,575	-	1,280,575
Utility Bills	56,402	778,233	834,635
CDBG Grant Reimbursement	73,941	-	73,941
CWS Reimbursement	-	51,269	51,269
DOJ - COPS Grant Reimb.	15,176	-	15,176
Sherwood School District	69,746	-	69,746
Miscellaneous	16,045	2,354	18,399
Gross Receivables	1,944,680	2,219,663	4,164,343
Less: allowance for uncollectables			
Court	(1,138,216)	-	(1,138,216)
Utility Bills	(6,124)	(64,958)	(71,082)
Net Receivables	\$ 800,340	\$ 2,154,705	\$ 2,955,045

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013

II. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital assets

Capital assets for governmental activities for the year ended June 30, 2013 are as follows:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 13,169,648	\$ 231,601	\$ (909,316)	\$ 12,491,933
Intangibles (easements)	5,750,512	-	-	5,750,512
Construction work in progress	1,696,224	3,048,062	-	4,744,286
	<u>20,616,384</u>	<u>3,279,663</u>	<u>(909,316)</u>	<u>22,986,731</u>
Total capital assets not being depreciated				
Capital assets being depreciated:				
Infrastructure	64,348,488	548,139	-	64,896,627
Buildings and improvements	34,613,620	94,229	-	34,707,849
Machinery and equipment	1,872,971	27,216	-	1,900,187
Licensed vehicles	1,182,403	133,732	-	1,316,135
	<u>102,017,482</u>	<u>803,316</u>	<u>-</u>	<u>102,820,798</u>
Total capital assets being depreciated				
Less accumulated depreciation:				
Infrastructure	23,684,629	3,066,531	-	26,751,160
Buildings and improvements	10,802,068	1,555,303	-	12,357,371
Machinery and equipment	1,024,316	159,736	-	1,184,052
Licensed vehicles	797,369	95,369	-	892,738
	<u>36,308,382</u>	<u>4,876,939</u>	<u>-</u>	<u>41,185,321</u>
Total accumulated depreciation				
Total capital assets being depreciated, net	65,709,100	(4,073,622)	-	61,635,477
Governmental activities capital assets, net	<u>\$ 86,325,484</u>	<u>\$ (793,960)</u>	<u>\$ (909,316)</u>	<u>\$ 84,622,208</u>
Governmental activities:				
Administration		\$ 396,086		
Community development		2,614,701		
Public safety		73,798		
Community services		247,446		
Public works		<u>1,544,908</u>		
Total depreciation expense - governmental activities		<u>\$ 4,876,939</u>		

CITY OF SHERWOOD, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013**

II. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital assets (Continued)

Capital assets for business-type activities for the year ended June 30, 2013 are as follows:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 298,289	\$ -	\$ -	\$ 298,289
Intangibles (easements)	1,316,833	149,696	-	1,466,529
Construction work in progress	555,321	760,736	(468,521)	847,536
Total capital assets not being depreciated	<u>2,170,443</u>	<u>910,432</u>	<u>(468,521)</u>	<u>2,612,354</u>
Capital assets being depreciated:				
Infrastructure	86,133,711	965,706	-	87,099,417
Buildings and improvements	57,065	-	-	57,065
Machinery and equipment	1,592,897	82,314	-	1,675,211
Licensed vehicles	443,058	-	-	443,058
Total capital assets being depreciated	<u>88,226,731</u>	<u>1,048,020</u>	<u>-</u>	<u>89,274,751</u>
Less accumulated depreciation:				
Infrastructure	7,277,639	1,010,886	-	8,288,525
Buildings and improvements	20,112	2,289	-	22,401
Machinery and equipment	1,203,728	65,078	-	1,268,806
Licensed vehicles	192,851	29,591	-	222,442
Total accumulated depreciation	<u>8,694,330</u>	<u>1,107,845</u>	<u>-</u>	<u>9,802,175</u>
Total capital assets being depreciated, net	79,532,401	(59,825)	-	79,472,576
Business-type activities capital assets, net	<u>\$ 81,702,844</u>	<u>\$ 850,607</u>	<u>\$ (468,521)</u>	<u>\$ 82,084,930</u>
Business-type activities:				
Water		\$ 725,486		
Sanitary		158,210		
Storm		199,767		
Telecom		24,382		
Total depreciation expense - business-type activities		<u>\$ 1,107,845</u>		

CITY OF SHERWOOD, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013**

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 Infrastructure Authority (IFA) for the Cannery projects in the URA. Debt service is paid with tax increment proceeds. As of June 30, 2013 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.

In 2013 the City refinanced the 2003 Civic Building and 2006 Street #1 loans for the URA. The new interest rate is 1.53% resulting in approximately \$700,000 in interest savings over the term of the loan.

Bonds and loans outstanding and the changes in long-term liabilities for the year ended June 30, 2013 are as follows. Note that stated interest rates relate to identified maturities and the City holds no variable interest obligations.

	Original Amount	Outstanding July 1, 2012	Issued	Matured/ Redeemed During Year	Outstanding June 30, 2013	Due Within One Year
Governmental activities						
General Obligation Bonds						
2004 A&B Refunding (interest 1-3.8%)	\$ 6,045,000	\$ 2,810,000	\$ -	\$ (525,000)	\$ 2,285,000	\$ 540,000
2011 Police Refunding (interest 2-4.04%)	2,305,000	2,105,000	-	(210,000)	1,895,000	215,000
2011 Capital Lease for Phone System	118,200	67,982	-	(25,109)	42,873	25,109
2012 Capital Lease for two Police Cars	80,938	60,191	-	(20,047)	40,144	20,047
2013 Capital Lease for two Police Cars	83,733	-	83,733	(20,934)	62,799	20,934
Long-term Loans:						
2001 YMCA Expansion (interest 2.76-5.4%)	1,970,000	820,000	-	(150,000)	670,000	155,000
Long-term Loans URA:						
2003 Civic building (interest 3-4.625%)	5,845,708	3,995,913	-	(3,995,913)	-	-
2006 URA Streets #1 (interest 5.38%)	1,800,000	1,272,319	-	(1,272,319)	-	-
2006 URA Streets #2 (3.66% -4.45%)	6,400,000	5,285,069	-	(264,728)	5,020,341	271,517
2010 URA Cannery & Streets (interest 4.65%)	7,065,000	6,595,000	-	(235,000)	6,360,000	245,000
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	-	5,245,000	(380,000)	4,865,000	415,000
SDC Credits		4,792,086	-	(365,072)	4,427,014	371,000
Total		33,702,448	5,328,733	(7,464,122)	31,567,059	2,278,607
Premium on bonds issued		100,475	374,298	(42,356)	432,417	42,356
		<u>\$ 33,802,923</u>	<u>\$ 5,703,031</u>	<u>\$ (7,506,478)</u>	<u>\$ 31,999,476</u>	<u>\$ 2,320,963</u>
Business-type activities						
Long-term Obligations for Enterprise activities						
2008 SDW Water Reservoir (interest 3.55%)	6,000,000	\$ 5,570,169	\$ -	\$ (226,331)	\$ 5,343,838	\$ 234,366
2009 SDW Water Pipeline (interest 3.83%)	6,000,000	5,790,511	-	(213,094)	5,577,417	221,255
2011 Water Projects (interest 2-5%)	14,165,000	14,165,000	-	(385,000)	13,780,000	395,000
SDC Credits		61,365	-	-	61,365	-
Total		25,587,045	-	(824,425)	24,762,620	850,621
Premium on bonds issued		178,260	-	(7,428)	170,832	7,428
		<u>\$ 25,765,305</u>	<u>\$ -</u>	<u>\$ (831,853)</u>	<u>\$ 24,933,452</u>	<u>\$ 858,049</u>

CITY OF SHERWOOD, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013**

II. DETAILED NOTES ON ALL FUNDS (Continued)

D. Long-term liabilities (Continued)

	Outstanding July 1, 2012	Increases	Decreases	Outstanding June 30, 2013	Due Within One Year
Compensated absences payable					
Governmental activities	\$ 363,100	\$ 46,721	\$ (1,292)	\$ 408,529	\$ 163,412
Business-type activities	67,706	5,565	(2,969)	70,302	28,121
Total	<u>\$ 430,806</u>	<u>\$ 52,286</u>	<u>\$ (4,261)</u>	<u>\$ 478,831</u>	<u>\$ 191,533</u>

In 2013 the City entered into a lease agreement for the financing of two new police cars. The acquisition value of the two cars is \$83,733. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013, were as follows:

Year ending June 30	Governmental Activities
2014	\$ 66,089
2015	58,744
2016	20,983
Total minimum lease payments	145,816
Less: amount representing interest	(12,651)
Present value of minimum lease payments	<u>\$ 133,165</u>

In March 2009, the General Fund advanced \$950,000 to the Telecom Fund for operational and capital construction costs. As of June 30, 2013 \$474,336 has been paid back to the General Fund leaving a principle balance of \$475,664 owing. The remaining inter-fund loan balance will be paid in full by 2016.

2. Debt service requirements

Debt service requirements for the IFA Cannery projects loan is not included in the debt service requirements schedule as the repayment terms will be determined when the project is complete. As of June 30, 2013 the City is in the process of obtaining an extension for the estimated project completion date.

CITY OF SHERWOOD, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013**

II. DETAILED NOTES ON ALL FUNDS (Continued)

D. Long-term liabilities (Continued)

Debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Governmental Activities					Business-type Activities			
	GO Bonds	City Loans	Capital Lease	Loans - URA	Interest	Total Govern- mental Activities	Principal on Loans	Interest	Total Business- type Activities
2014	\$ 755,000	\$ 155,000	\$ 66,089	\$ 931,517	\$ 821,238	\$ 2,728,844	\$ 850,621	\$ 989,947	\$ 1,840,568
2015	780,000	165,000	58,794	968,378	754,369	2,726,541	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
2019-2023	765,000	-	-	5,832,177	1,876,331	8,473,508	5,344,006	3,852,582	9,196,588
2024-2028	-	-	-	4,331,212	756,310	5,087,522	6,502,383	2,694,120	9,196,503
2029-2033	-	-	-	1,035,000	72,773	1,107,773	5,682,506	1,352,101	7,034,607
Thereafter	-	-	-	-	-	-	2,670,000	271,500	2,941,500
	<u>\$ 4,180,000</u>	<u>\$ 670,000</u>	<u>\$ 145,816</u>	<u>\$ 16,245,341</u>	<u>\$ 6,101,050</u>	<u>\$ 27,342,207</u>	<u>\$ 24,701,255</u>	<u>\$ 12,861,331</u>	<u>\$ 37,562,586</u>

E. Inter-fund Transfers

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:		Transfers In:				
Fund		Storm Fund	URA Capital Fund	Street Capital Fund	Nonmajor Governmental Funds	Total
1	General	\$ -	\$ -	\$ -	\$ 300,000	\$ 300,000
2	URA Capital	44,302	-	-	-	44,302
3	URA Operations	-	40,059	-	-	40,059
4	URA Capital	-	-	-	39,426	39,426
5	Water	-	-	50,000	-	50,000
	Total	<u>\$ 44,302</u>	<u>\$ 40,059</u>	<u>\$ 50,000</u>	<u>\$ 339,426</u>	<u>\$ 473,787</u>

Purpose:

- 1 Transfer for replacement of the Turf Field at Snyder Park
- 2 Transfer for the Storm Water Quality Facility on Columbia St
- 3 Transfer from URA Operations to URA Capital for Community Center
- 4 Transfer for design work on the Cedar Creek Trail
- 5 Transfer from Water to Street Capital for Adams North

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2013

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.

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, 2013, 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, 2013 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.

CITY OF SHERWOOD, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013**

III. OTHER INFORMATION (Continued)

B. Pension plan (Continued)

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.

	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>
Employer Contributions	\$ 557,083	\$ 753,546	\$ 775,857
6% Employee Contributions paid by the City	<u>334,909</u>	<u>327,656</u>	<u>339,076</u>
Total PERS Contributions Paid by the City	<u>\$ 891,992</u>	<u>\$ 1,081,202</u>	<u>\$ 1,114,933</u>

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 6.9% in 2012 to 4.5% in 2029.
- An investment rate of return of 8.0% compounded annually.
- Interest crediting on 8.0% annually on regular account balances and 8.25% on variable account balances.
- Projected general wage inflation of 3.75% per year.

The actuarial valuation method used is the Projected Unit Credit (PUC) method. Plan assets are valued at market value, excluding reserves. The Employer's unfunded actuarial liability is being amortized as a level percentage of combined valuation payroll over a 16 to 20 year closed period.

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 publically available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700.

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2013

III. OTHER INFORMATION (Continued)

C. Postemployment Benefits Other than Pensions (Continued)

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 .50 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 thirty 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 have all been tendered to the City's liability insurer or are being defended by attorneys. The City does not believe that any of these matters will have a material impact on its June 30, 2013 financial statements. The City has outstanding commitments at June 30, 2013 totaling \$1,394,078 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, 2013

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Property taxes	\$ 4,392,500	\$ 4,392,500	\$ 4,381,867	\$ (10,633)
Franchise fees	1,533,525	1,533,525	1,580,367	46,842
Intergovernmental	1,365,716	1,365,716	1,455,609	89,893
Charges for Services	593,491	593,491	852,329	258,838
Infrastructure Development Fees	103,425	103,425	150,799	47,374
Fines and forfeitures	935,250	935,250	861,904	(73,346)
Interest	12,000	12,000	19,245	7,245
Miscellaneous	213,942	213,942	212,443	(1,499)
TOTAL REVENUES	9,149,849	9,149,849	9,514,563	364,714
EXPENDITURES:				
Administration	2,222,089	2,329,089	2,177,585	151,504
Community Development	1,001,460	1,001,460	878,160	123,300
Public Safety	3,295,085	3,295,085	3,232,717	62,368
Community Services	1,196,428	1,196,428	1,181,814	14,614
Public Works	1,505,845	1,505,845	1,426,566	79,279
Contingency	2,305,599	1,898,599	-	1,898,599
TOTAL EXPENDITURES	11,526,506	11,226,506	8,896,842	2,329,664
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,376,657)	(2,076,657)	617,721	2,694,378
OTHER FINANCING SOURCES & (USES):				
Interfund Loan payments	150,000	150,000	146,640	(3,360)
Transfers out	-	(300,000)	(300,000)	-
TOTAL OTHER FINANCING USES	150,000	(150,000)	(153,360)	(3,360)
NET CHANGE IN FUND BALANCE	(2,226,657)	(2,226,657)	464,361	2,691,018
FUND BALANCE , beginning of year	2,226,657	2,226,657	2,500,508	273,851
FUND BALANCE , end of year	\$ -	\$ -	\$ 2,964,869	\$ 2,964,869
Fund balance budget basis			\$ 2,964,869	
Balance of interfund loan			475,664	
Fund balance fund statements			\$ 3,440,533	
Change in fund balance budget basis			\$ 464,361	
Payment on interfund loan			(146,640)	
Proceeds of capital lease			83,733	
Acquisition of equipment financed with capital lease			(83,733)	
Change in fund balance GAAP basis			\$ 317,721	

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, 2013

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Property taxes	\$ 3,313,500	\$ 3,313,500	\$ 3,143,480	\$ (170,020)
Fines, interest and other	12,000	12,000	17,417	5,417
Miscellaneous	-	-	30	30
TOTAL REVENUES	<u>3,325,500</u>	<u>3,325,500</u>	<u>3,160,927</u>	<u>(164,573)</u>
EXPENDITURES:				
Personal services	26,986	76,986	63,117	13,869
Materials and services	105,561	145,561	118,606	26,955
Debt Service	1,650,035	7,192,482	7,170,718	21,764
Contingency	3,766,122	3,246,122	-	3,246,122
TOTAL EXPENDITURES	<u>5,548,704</u>	<u>10,661,151</u>	<u>7,352,442</u>	<u>3,308,709</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,223,204)</u>	<u>(7,335,651)</u>	<u>(4,191,515)</u>	<u>3,144,136</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(60,000)	(40,059)	19,941
Proceeds from refunding	-	5,172,447	5,619,298	446,851
Proceeds from sale of capital assets	-	-	533,489	533,489
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>5,112,447</u>	<u>6,112,728</u>	<u>1,000,281</u>
NET CHANGE IN FUND BALANCE	<u>(2,223,204)</u>	<u>(2,223,204)</u>	<u>1,921,213</u>	<u>4,144,417</u>
FUND BALANCE, beginning of year	<u>2,223,204</u>	<u>2,223,204</u>	<u>1,857,026</u>	<u>(366,178)</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,778,239</u>	<u>\$ 3,778,239</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, 2013**

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental	\$ 1,100,000	\$ 1,100,000	\$ 1,064,631	\$ (35,369)
Charges for Services	505,000	505,000	568,587	63,587
Infrastructure Development Fees	-	-	2,917	2,917
Interest and Other	3,000	3,000	6,325	3,325
TOTAL REVENUES	<u>1,608,000</u>	<u>1,608,000</u>	<u>1,642,460</u>	<u>34,460</u>
EXPENDITURES:				
Personal services	257,922	297,922	297,763	159
Materials and services	556,590	656,590	656,319	271
Capital outlay	706,000	566,000	391,348	174,652
Contingency	573,864	573,864	-	573,864
TOTAL EXPENDITURES	<u>2,094,376</u>	<u>2,094,376</u>	<u>1,345,430</u>	<u>748,946</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(486,376)</u>	<u>(486,376)</u>	<u>297,030</u>	<u>783,406</u>
NET CHANGE IN FUND BALANCE	(486,376)	(486,376)	297,030	783,406
FUND BALANCE, beginning of year	<u>486,376</u>	<u>486,376</u>	<u>987,889</u>	<u>501,513</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,284,919</u>	<u>\$ 1,284,919</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, 2013**

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Fines, interest and other	\$ -	\$ -	\$ 15,916	\$ 15,916
EXPENDITURES:				
Personal services	115,556	115,556	106,335	9,221
Materials and services	56,703	109,703	103,447	6,256
Capital outlay	4,958,449	4,905,449	2,331,829	2,573,620
Contingency	149,585	149,585	-	149,585
TOTAL EXPENDITURES	<u>5,280,293</u>	<u>5,280,293</u>	<u>2,541,611</u>	<u>2,738,682</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(5,280,293)</u>	<u>(5,280,293)</u>	<u>(2,525,695)</u>	<u>2,754,598</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(2,269,126)	(2,269,126)	(83,728)	2,185,398
Transfers in	-	-	40,059	40,059
Proceeds from borrowing	5,846,672	5,846,672	-	(5,846,672)
TOTAL OTHER FINANCING SOURCES (USES)	<u>3,577,546</u>	<u>3,577,546</u>	<u>(43,669)</u>	<u>(3,621,215)</u>
NET CHANGE IN FUND BALANCE	<u>(1,702,747)</u>	<u>(1,702,747)</u>	<u>(2,569,364)</u>	<u>(866,617)</u>
FUND BALANCE, beginning of year	<u>1,702,747</u>	<u>1,702,747</u>	<u>3,078,268</u>	<u>1,375,521</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 508,904</u>	<u>\$ 508,904</u>

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, 2013**

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Charges for Services	\$ 50,000	\$ 50,000	\$ 53,110	\$ 3,110
Infrastructure Development Fees	3,061,849	3,061,849	318,002	(2,743,847)
Interest and Other	9,100	9,100	16,922	7,822
TOTAL REVENUES	<u>3,120,949</u>	<u>3,120,949</u>	<u>388,034</u>	<u>(2,732,915)</u>
EXPENDITURES:				
Personal services	194,402	194,402	91,126	103,276
Materials and services	119,075	119,075	89,009	30,066
Capital outlay	3,126,523	3,126,523	397,786	2,728,737
Contingency	5,278,554	5,278,554	-	5,278,554
TOTAL EXPENDITURES	<u>8,718,554</u>	<u>8,718,554</u>	<u>577,921</u>	<u>8,140,633</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(5,597,605)</u>	<u>(5,597,605)</u>	<u>(189,887)</u>	<u>5,407,718</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>2,169,126</u>	<u>2,169,126</u>	<u>50,000</u>	<u>(2,119,126)</u>
NET CHANGE IN FUND BALANCE	<u>(3,428,479)</u>	<u>(3,428,479)</u>	<u>(139,887)</u>	<u>3,288,592</u>
FUND BALANCE, beginning of year	<u>3,428,479</u>	<u>3,428,479</u>	<u>2,335,297</u>	<u>(1,093,182)</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,195,410</u>	<u>\$ 2,195,410</u>

NONMAJOR GOVERNMENTAL FUNDS

CITY OF SHERWOOD

Sherwood, Oregon

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2013

	<u>Debt Service</u>	<u>Capital Project Fund Gen Const</u>	<u>Totals</u>
ASSETS:			
Cash and investments	\$ -	\$ 566,361	\$ 566,361
Restricted Cash	8,432	225,449	233,881
Prepays		136,111	136,111
Receivables	-	73,942	73,942
	<u>8,432</u>	<u>1,001,863</u>	<u>1,010,295</u>
TOTAL ASSETS	\$ 8,432	\$ 1,001,863	\$ 1,010,295
LIABILITIES:			
Accounts payable	\$ -	\$ 3,022	\$ 3,022
Other current liabilities	-	140,003	140,003
	<u>-</u>	<u>143,025</u>	<u>143,025</u>
TOTAL LIABILITIES	-	143,025	143,025
FUND BALANCES:			
Nonspendable	-	136,111	136,111
Restricted	8,432	225,449	233,881
Committed	-	252,812	252,812
Assigned	-	244,466	244,466
	<u>8,432</u>	<u>858,838</u>	<u>867,270</u>
TOTAL FUND BALANCES	8,432	858,838	867,270
TOTAL LIABILITIES AND FUND BALANCE	\$ 8,432	\$ 1,001,863	\$ 1,010,295

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, 2013**

	<u>Debt Service</u>	<u>Capital Project Fund Gen Const</u>	<u>Totals</u>
REVENUES:			
Property Taxes	\$ 850,000	\$ -	\$ 850,000
Intergovernmental	-	73,941	73,941
Infrastructure Development Fees	-	194,482	194,482
Interest and Other	<u>1,816</u>	<u>33,245</u>	<u>35,061</u>
TOTAL REVENUES	<u>851,816</u>	<u>301,668</u>	<u>1,153,484</u>
EXPENDITURES:			
Current:			
Community Development	-	67,237	67,237
Noncurrent			
Capital outlay	-	251,949	251,949
Debt service	<u>892,625</u>	<u>48,833</u>	<u>941,458</u>
TOTAL EXPENDITURES	<u>892,625</u>	<u>368,019</u>	<u>1,260,644</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(40,809)</u>	<u>(66,351)</u>	<u>(107,160)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	<u>-</u>	<u>339,426</u>	<u>339,426</u>
NET CHANGE IN FUND BALANCE	(40,809)	273,075	232,266
FUND BALANCE, beginning of year	<u>49,241</u>	<u>585,763</u>	<u>635,004</u>
FUND BALANCE, end of year	<u>\$ 8,432</u>	<u>\$ 858,838</u>	<u>\$ 867,270</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, 2013**

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Property taxes	\$ 850,000	\$ 850,000	\$ 850,000	\$ -
Interest	-	-	1,816	1,816
TOTAL REVENUES	<u>850,000</u>	<u>850,000</u>	<u>851,816</u>	<u>1,816</u>
EXPENDITURES:				
Debt Service	892,626	892,626	892,625	1
Reserve for Future Expenditure	4,858	4,858	-	4,858
TOTAL EXPENDITURES	<u>897,484</u>	<u>897,484</u>	<u>892,625</u>	<u>4,859</u>
NET CHANGE IN FUND BALANCE	(47,484)	(47,484)	(40,809)	6,675
FUND BALANCE, beginning of year	<u>47,484</u>	<u>47,484</u>	<u>49,241</u>	<u>1,757</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,432</u>	<u>\$ 8,432</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, 2013

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental	\$ 179,600	\$ 179,600	\$ 73,941	\$ (105,659)
Infrastructure Development Fees	21,537	21,537	194,482	172,945
Interest and Other	30,013	30,013	33,245	3,232
TOTAL REVENUES	<u>231,150</u>	<u>231,150</u>	<u>301,668</u>	<u>70,518</u>
EXPENDITURES:				
Personal services	6,491	39,491	30,844	8,647
Materials and services	3,949	36,949	36,393	556
Capital outlay	310,823	744,823	388,060	356,763
Debt Service	48,833	48,833	48,833	-
Contingency	555,183	355,183	-	355,183
TOTAL EXPENDITURES	<u>925,279</u>	<u>1,225,279</u>	<u>504,130</u>	<u>721,149</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(694,129)</u>	<u>(994,129)</u>	<u>(202,462)</u>	<u>791,668</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>100,000</u>	<u>400,000</u>	<u>339,426</u>	<u>(60,574)</u>
NET CHANGE IN FUND BALANCE	(594,129)	(594,129)	136,964	731,093
FUND BALANCE, beginning of year	<u>594,129</u>	<u>594,129</u>	<u>585,763</u>	<u>(8,366)</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 722,727</u>	<u>\$ 722,727</u>
Fund balance budget basis			\$ 722,727	
Prepays			<u>136,111</u>	
Fund balance fund statements			<u>\$ 858,838</u>	
Change in fund balance budget basis			\$ 136,964	
Prepays			<u>136,111</u>	
Change in fund balance GAAP basis			<u>\$ 273,075</u>	

ENTERPRISE 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, 2013**

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Charges for Services	\$ 3,862,250	\$ 3,862,250	\$ 4,511,739	\$ 649,489
Infrastructure Development Fees	482,318	482,318	453,232	(29,086)
Interest and Other	17,122	17,122	49,978	32,856
TOTAL REVENUES	<u>4,361,690</u>	<u>4,361,690</u>	<u>5,014,949</u>	<u>653,259</u>
EXPENDITURES:				
Operations	4,702,244	4,702,244	4,693,256	8,988
Capital	4,329,727	4,329,727	2,677,499	1,652,228
Contingency	3,414,018	3,414,018	-	3,414,018
TOTAL EXPENDITURES	<u>12,445,989</u>	<u>12,445,989</u>	<u>7,370,755</u>	<u>5,075,234</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(8,084,299)</u>	<u>(8,084,299)</u>	<u>(2,355,806)</u>	<u>5,728,493</u>
NET CHANGE IN FUND BALANCE	<u>(8,084,299)</u>	<u>(8,084,299)</u>	<u>(2,355,806)</u>	<u>5,728,493</u>
FUND BALANCE , beginning of year	<u>8,084,299</u>	<u>8,084,299</u>	<u>8,676,393</u>	<u>592,094</u>
FUND BALANCE , end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,320,587</u>	<u>\$ 6,320,587</u>

Reconciliation of budget basis to GAAP basis

Change in fund balance - budgetary basis	\$ (2,355,806)
Depreciation expense	(725,486)
Expenditures capitalized	59,765
Capitalized Interest	574,267
Contributed assets	72,493
Prepays	1,191,759
Due from other governments	1,387,807
Principal payments on long-term obligations	824,425
Amortization of bond issuance costs	(13,878)
Change in accrued interest on long-term obligations	(97,064)
Change in compensated absences	2,969
Amortization of debt premium	7,428
Change in net position - GAAP basis	<u>\$ 928,679</u>
Fund balance - budgetary basis	\$ 6,320,587
Capital assets	51,816,609
Prepays	1,191,759
Due from other governments	1,387,807
Unamortized issuance costs	319,183
Long-term obligations and related premium	(24,872,087)
SDC Credits	(9,720)
Compensated absences	(37,195)
Accrued interest on long term obligations	(284,054)
Net position - GAAP basis	<u>\$ 35,832,888</u>

CITY OF SHERWOOD

Sherwood, Oregon

**SANITARY FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental	\$ 491,966	\$ 491,966	\$ 51,269	\$ (440,697)
Charges for Services	521,850	521,850	554,285	32,435
Infrastructure Development Fees	6,786	6,786	38,704	31,918
Interest and Other	9,450	9,450	24,052	14,602
	1,030,052	1,030,052	668,310	(361,742)
EXPENDITURES:				
Operations	472,095	472,095	468,964	3,131
Capital	1,229,917	1,229,917	98,814	1,131,103
Contingency	2,686,511	2,686,511	-	2,686,511
	4,388,523	4,388,523	567,778	3,820,745
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,358,471)	(3,358,471)	100,532	3,459,003
NET CHANGE IN FUND BALANCE	(3,358,471)	(3,358,471)	100,532	3,459,003
FUND BALANCE , beginning of year	3,358,471	3,358,471	3,374,283	15,812
FUND BALANCE , end of year	\$ -	\$ -	\$ 3,474,815	\$ 3,474,815

Reconciliation of budget basis to GAAP basis

Change in fund balance - budgetary basis	\$ 100,532
Depreciation expense	(158,210)
Expenditures capitalized	177,164
Contributed assets	241,726
Change in compensated absences	(697)
Change in net position - GAAP basis	\$ 360,515
Fund balance - budgetary basis	\$ 3,474,815
Capital assets	12,272,072
Compensated absences	(12,859)
Net position - GAAP basis	\$ 15,734,028

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, 2013

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Charges for Services	\$ 1,320,000	\$ 1,320,000	\$ 1,525,022	\$ 205,022
Infrastructure Development Fees	162,514	162,514	35,102	(127,412)
Interest and Other	7,900	7,900	8,707	807
	1,490,414	1,490,414	1,568,831	78,417
TOTAL REVENUES				
EXPENDITURES:				
Operations	1,212,179	1,212,179	905,971	306,208
Capital	-	47,000	44,489	2,511
Contingency	1,562,416	1,555,416	-	1,555,416
	2,774,595	2,814,595	950,460	1,864,135
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,284,181)	(1,324,181)	618,371	1,942,552
OTHER FINANCING SOURCES (USES):				
Transfers in	-	40,000	44,302	4,302
	(1,284,181)	(1,284,181)	662,673	1,946,854
NET CHANGE IN FUND BALANCE				
FUND BALANCE, beginning of year	1,284,181	1,284,181	1,285,864	1,683
FUND BALANCE, end of year	\$ -	\$ -	\$ 1,948,537	\$ 1,948,537
 Reconciliation of budget basis to GAAP basis				
Change in fund balance - budget basis			\$ 662,673	
Depreciation expense			(199,767)	
Contributed assets			152,768	
Expenditures capitalized			211,747	
Change in compensated absences			(4,134)	
Change in net position - GAAP basis			\$ 823,287	
 Fund balance - budget basis			 \$ 1,948,537	
Capital assets			17,509,605	
SDC Credits			(51,645)	
Compensated absences			(18,741)	
Net position - GAAP basis			\$ 19,387,756	

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, 2013

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Charges for Services	\$ 334,880	\$ 334,880	\$ 318,075	\$ (16,805)
Interest	8,000	8,000	169	(7,831)
TOTAL REVENUES	<u>342,880</u>	<u>342,880</u>	<u>318,244</u>	<u>(24,636)</u>
EXPENDITURES:				
Personal services	31,754	31,754	14,512	17,242
Materials and services	141,372	141,372	131,806	9,566
Capital outlay	45,000	45,000	-	45,000
Debt Service	150,000	150,000	150,000	-
Contingency	20,259	20,259	-	20,259
TOTAL EXPENDITURES	<u>388,385</u>	<u>388,385</u>	<u>296,318</u>	<u>92,067</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(45,505)</u>	<u>(45,505)</u>	<u>21,926</u>	<u>67,431</u>
NET CHANGE IN FUND BALANCE	(45,505)	(45,505)	21,926	67,431
FUND BALANCE , beginning of year	<u>45,505</u>	<u>45,505</u>	<u>41,278</u>	<u>(4,227)</u>
FUND BALANCE , end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,204</u>	<u>\$ 63,204</u>

Reconciliation of budgetary basis to GAAP basis

Change in fund balance - budgetary basis	\$ 21,926
Depreciation expense	(24,382)
Principal Payments on Interfund Loan	146,640
Change in compensated absences	(734)
Change in net position - GAAP basis	<u>\$ 143,450</u>
Fund balance - budgetary basis	\$ 63,204
Capital assets	486,644
Compensated absences	(1,507)
Interfund loan payable	(475,664)
Net position - GAAP basis	<u>\$ 72,677</u>

CITY OF SHERWOOD

Sherwood, Oregon

**SCHEDULE OF PROPERTY TAX TRANSACTIONS
YEAR ENDED JUNE 30, 2013**

<u>Tax Year</u>	<u>Uncollected Balances July 1, 2012</u>	<u>2012-2013 Levy</u>	<u>Interest, Discounts & Adjustments</u>	<u>Collections</u>	<u>Uncollected Balances June 30, 2013</u>
2012-13	\$ -	\$ 8,626,973	\$ (209,455)	\$ (8,211,854)	\$ 205,664
2011-12	237,318	-	(61,202)	(80,060)	96,056
2010-11	123,930	-	(24,598)	(26,012)	73,320
2009-10	72,682	-	7,330	(33,656)	46,356
2008-09	16,662	-	2,417	(14,724)	4,355
2007-08	3,449	-	381	(1,717)	2,113
Prior Years	5,934	-	1,062	(2,064)	4,931
Total	<u>\$ 459,974</u>	<u>\$ 8,626,973</u>	<u>\$ (284,065)</u>	<u>\$ (8,370,088)</u>	<u>\$ 432,795</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.	57–60
Revenue Capacity These schedules contain information to help the reader assess the City’s most significant local revenue source, property taxes.	61-64
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.	65–68
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within the City’s financial activities take place.	69-70
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.	71

CITY OF SHERWOOD
Sherwood, Oregon

GOVERNMENT-WIDE NET POSITION
LAST TEN FISCAL YEARS

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental activities										
Net investment in capital assets	\$ 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	\$ 14,259,054
Restricted	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	1,852,040
Unrestricted	9,119,548	6,412,820	6,315,572	(2,605,639)	(1,620,872)	391,698	1,768,706	(229,213)	877,910	737,425
Total governmental activities net position	<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>	<u>16,848,519</u>
Business-type activities										
Net investment in capital assets	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	57,200,972
Restricted	3,939,196	3,218,306	-	10,501,066	12,792,835	12,859,547	14,281,995	-	13,138,857	12,899,403
Unrestricted	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	4,225,596
Total business-type activities net position	<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>	<u>74,325,971</u>
Government-wide activities										
Net investment in capital assets	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	71,460,026
Restricted	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	14,751,443
Unrestricted	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	4,963,021
Total Government-wide activities net position	<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>	<u>\$ 91,174,490</u>

CITY OF SHERWOOD
Sherwood, Oregon

CHANGE IN NET POSITION
LAST TEN FISCAL YEARS

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Expenses										
Governmental activities:										
Administration	\$ 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	\$ 537,996
Community Development	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	2,917,988
Public Safety	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	2,558,809
Community Services	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	1,295,782
Public Works	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	1,204,651
Interest on long-term obligations	1,091,076	1,081,817	1,503,754	1,131,451	1,548,302	2,432,283	425,622	684,535	692,072	363,935
Total governmental activities	<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>	<u>8,879,161</u>
Business-type activities:										
Water	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	1,255,148
Sewer	549,521	495,249	397,484	456,138	526,200	1,833,247	2,660,082	2,914,907	2,449,703	2,513,931
Storm	942,614	929,770	985,975	671,150	659,026	699,162	903,635	788,883	632,106	594,518
Telecommunications	174,794	147,990	130,510	207,628	320,854	500,580	244,857	268,073	52,166	-
Total business type activities	<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>	<u>4,363,597</u>
Total Expenses	<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>	<u>\$ 13,242,758</u>
Revenues										
Governmental activities:										
Charges for services										
Administration	\$ 924,121	\$ 1,281,663	\$ 1,049,985	\$ 613,475	\$ 715,363	\$ 84,899	\$ 548,098	\$ 510,514	\$ 360,072	\$ 300,982
Community Development	535,078	331,001	313,117	263,475	729,620	702,458	827,567	694,236	1,561,539	1,113,987
Public Safety	22,655	8,219	15,565	48,975	54,208	52,205	93,455	150,148	105,661	35,298
Community Services	279,359	276,836	272,128	275,851	244,407	209,873	330,796	474,628	328,166	227,698
Public Works	574,717	525,855	43,254	478,161	533,745	346,230	27,493	19,702	92,321	1,334,316
Operating grants and contributions	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	1,217,491
Capital grants and contributions	1,240,908	4,236,522	4,363,569	1,314,967	3,070,470	391,689	623,535	1,092,203	648,330	1,187,132
General revenues and transfers	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	5,571,669
Total governmental activities	<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>	<u>10,988,573</u>
Business-type activities:										
Charges for services										
Water	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	2,772,274
Sewer	554,285	523,271	444,953	456,512	329,064	1,497,143	2,170,669	2,063,012	1,909,443	2,672,184
Storm	1,525,022	1,418,566	1,340,927	1,330,603	559,283	479,548	584,780	566,645	456,442	823,268
Telecommunications	318,075	310,838	210,792	186,799	151,999	88,262	54,613	6,796	-	-
Operating grants and contributions	-	-	45,000	12,000	1,273,556	-	-	-	-	-
Capital grants and contributions	1,045,294	488,204	2,351,721	1,265,269	1,659,827	641,278	879,434	1,668,896	2,733,706	2,290,949
General revenues and transfers	77,208	(148,410)	216,741	488,796	1,132,128	3,966,596	9,763,189	548,541	4,647,363	1,555,872
Total business type activities	<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>	<u>10,114,547</u>
Total Revenues	<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>	<u>\$ 21,103,120</u>
Change in Net Position										
Governmental Activities	\$ 220,956	\$ 3,938,561	\$ 7,645,222	\$ 320,374	\$ (258,333)	\$ (100,147)	\$ (8,383,504)	\$ 3,350,867	\$ 1,366,652	\$ 2,109,412
Business-type Activity	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	5,750,950
Total Net (Expense)/Revenue	<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>	<u>\$ 7,860,362</u>

CITY OF SHERWOOD
Sherwood, Oregon

GOVERNMENTAL FUND BALANCE
LAST TEN FISCAL YEARS

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Fund:										
Nonspendable	\$ 475,664	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	176,427	127,704	75,640.00	-	-	-	-	-	-	-
Committed	68,596	3,500	-	-	-	-	-	-	-	-
Assigned	1,261	58,386	54,786	-	-	-	-	-	-	-
Unassigned	2,718,585	2,933,222	2,982,560	-	-	-	-	-	-	-
Unreserved	-	-	-	1,862,794	898,753	352,774	(900,143)	(1,332,856)	371,003	1,478,838
Total General Fund	\$ 3,440,533	\$ 3,122,812	\$ 3,112,986	\$ 1,862,794	\$ 898,753	\$ 352,774	\$ (900,143)	\$ (1,332,856)	\$ 371,003	\$ 1,478,838
Urban Renewal Operations:										
Restricted	\$ 3,778,239	\$ 1,857,026	\$ 3,718,401	\$ 1,810,913	\$ 2,792,649	\$ 1,185,706	\$ 1,005,607	\$ 516,792	\$ -	\$ -
Total General Fund	\$ 3,778,239	\$ 1,857,026	\$ 3,718,401	\$ 1,810,913	\$ 2,792,649	\$ 1,185,706	\$ 1,005,607	\$ 516,792	\$ -	\$ -
Street Operations:										
Restricted	\$ 1,284,919	\$ 987,889	\$ 458,649	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Street Capital	\$ 1,284,919	\$ 987,889	\$ 458,649	\$ -	\$ -	\$ -				
Street Capital:										
Restricted	\$ 2,195,410	\$ 2,335,296	\$ 4,110,698	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Assigned	-	-	114,316	-	-	-	-	-	-	-
Total Street Capital	\$ 2,195,410	\$ 2,335,296	\$ 4,225,014	\$ -	\$ -	\$ -				
Urban Renewal Capital:										
Restricted	\$ 508,904	\$ 3,078,268	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Urban Renewal	\$ 508,904	\$ 3,078,268	\$ -	\$ -	\$ -					
Other Governmental Funds										
Nonspendable	\$ 136,111	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	233,881	383,620	87,442	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	121,111
Total Other Governmental Funds	\$ 867,270	\$ 635,003	\$ 585,759	\$ 500,619	\$ 1,341,131	\$ 1,147,561	\$ 1,511,323	\$ 2,091,563	\$ 148,737	\$ 121,111

(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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
REVENUES:										
Property Taxes	\$ 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	\$ 5,344,304
Franchises and fees	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	2,594,181	4,999,094	4,072,817	1,548,654	417,679	1,376,518	2,458,024	1,934,273	1,830,069	1,693,862
Charges for services	1,474,026	1,203,285	618,975	819,818	934,562	1,178,892	1,057,628	966,900	1,355,623	905,506
Infrastructure Development Fees	666,200	233,533	800,843	239,299	1,049,026	407,344	602,458	1,245,926	2,719,828	1,400,184
Fines and forfeitures	861,904	1,224,727	1,020,855	347,328	454,802	390,651	532,392	466,995	423,953	348,406
Interest on investments	97,290	63,081	57,322	43,515	132,931	234,162	227,162	519,194	121,009	88,926
Miscellaneous	226,069	213,930	364,090	113,006	310,963	87,493	19,014	108,768	394,322	232,803
Total Revenues	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	10,013,991
EXPENDITURES:										
Current:										
Administration	2,166,821	3,418,739	3,372,963	3,148,951	2,840,300	1,672,916	-	-	-	-
Community Development	992,193	784,847	1,275,027	1,437,184	1,846,610	2,404,042	-	-	-	-
Public Safety	3,259,944	3,220,610	4,039,547	3,696,119	3,841,057	3,774,378	-	-	-	-
Community Services	1,181,814	1,167,801	1,517,075	1,426,069	1,420,789	1,345,098	-	-	-	-
Pulic Works	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	7,687,007
Materials and Services	-	-	-	-	-	-	212,669	492,486	1,521,254	1,979,283
Capital Outlay	3,915,065	8,136,079	4,187,315	1,003,722	-	594,508	864,538	6,189,850	7,498,479	1,417,598
Debt Service	8,252,618	3,221,179	5,714,904	3,311,595	3,854,963	3,320,845	2,540,807	2,378,600	1,793,188	7,095,466
Reimbursements	-	-	-	-	-	-	(1,245,328)	(1,216,183)	(957,632)	(851,314)
Total Expenditures	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	17,328,040
EXCESS (DEFICIENCY OF REVENUES OVER EXPENDITURES	(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)	(7,314,049)
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	12,245,231
Proceeds from Capital Lease	83,733	80,938	-	-	-	-	-	-	-	-
Sale of Capital Assets	533,489	-	-	-	-	-	-	1,713,695	991,902	4,694
Transfers in	429,485	895,122	2,889,027	859,338	3,596,098	584,479	-	731,671	298,642	427,760
Transfers out	(423,787)	(677,695)	(302,317)	(556,967)	(4,832,377)	-	(300,000)	(641,446)	(1,047,928)	(765,133)
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	11,912,552
Net change in fund balances	\$ 58,978	\$ (84,335)	\$ 1,370,123	\$ (858,208)	\$ 2,346,493	\$ (1,092,667)	\$ 341,288	\$ (4,469,019)	\$ (4,376,502)	\$ 4,598,503

(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					
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
2004	872,433,320	61,015,437	933,448,757	1,289,886,187	4.196	72.4	91,807	46,812,445

(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	
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
2004	3.1322	1.0638	4.1960	5.2510	0.5610	5.8120	4.9858	2.6082	7.5940	17.6020

- (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	2013			2004		
	Taxable Assessed Value	Rank	Percentage of Total Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Assessed Value
Retail Property Partners	\$ 18,467,240	1	1.2%	\$ 13,192,320	1	1.4%
Target Corporation	15,664,061	2	1.0%			
Northwest Natural Gas Co.	15,663,880	3	1.0%	8,644,000	6	0.9%
Bir Sunfield, LLC	15,282,760	4	1.0%	11,713,000	2	1.3%
Creekview Crossing SPE LLC	12,799,010	5	0.8%			
Portland General Electric	12,483,000	6	0.8%	8,677,000	5	0.9%
Allied Systems Company	11,042,820	7	0.7%	10,054,130	4	1.1%
Juniper Ridge Investments, LLC	10,278,620	8	0.7%	5,785,430	8	0.6%
Home Depot	9,883,867	9	0.6%	6,427,160	7	0.7%
JPMCC 2006-CIBC14 12th St	7,960,610	10	0.5%			
BMC West Corporation				10,129,743	3	1.1%
Eastern Western Corporation				5,755,800	9	0.6%
Brune Investment Company				4,728,110	10	0.5%
	<u>\$ 129,525,868</u>		<u>8.4%</u>	<u>\$ 85,106,693</u>		<u>9.1%</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</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Total Tax Levy</u>	<u>Adjustments</u>	<u>Outstanding Delinquent Taxes</u>
City of Sherwood:								
2013	\$ 5,389,489	\$ 5,130,153	95.2%	\$ -	\$ 5,130,153	95.2%	\$ (130,852)	\$ 128,484
2012	5,318,795	5,058,755	95.1%	200,901	5,259,656	98.9%	-	59,139
2011	5,255,367	4,958,717	94.4%	250,984	5,209,701	99.1%	-	45,666
2010	5,113,308	4,967,960	97.2%	116,573	5,084,533	99.4%	-	28,775
2009	4,869,072	4,720,108	96.9%	146,189	4,866,297	99.9%	-	2,775
2008	4,887,020	4,725,509	96.7%	160,130	4,885,639	100.0%	-	1,381
Prior Years								3,437
Sherwood Urban Renewal Agency:								
2013	3,237,484	3,081,701	95.2%	-	3,081,701	95.2%	(78,603)	77,180
2012	3,320,192	3,157,865	95.1%	125,410	3,283,275	98.9%	-	36,917
2011	3,182,555	3,002,910	94.4%	151,991	3,154,901	99.1%	-	27,654
2010	3,124,291	3,035,482	97.2%	71,228	3,106,710	99.4%	-	17,581
2009	2,771,772	2,661,569	96.0%	108,623	2,770,192	99.9%	-	1,580
2008	2,590,506	2,491,368	96.2%	98,406	2,589,774	100.0%	-	732
Prior Years								1,494

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
2013	\$ 735,000	\$ 157,625	\$ 892,625	\$ 6,297,960	\$ 1,062,081	\$ 7,360,041	\$ 8,252,666	\$ 22,058,623	4.0%	37.4%
2012	705,000	182,897	887,897	2,398,552	2,017,472	4,416,024	5,303,921	22,380,834	4.0%	23.7%
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%
2004	575,000	402,727	977,727	453,681	274,255	727,936	1,705,663	8,645,987	11.3%	19.7%
2003	450,000	524,024	974,024	268,185	157,664	425,849	1,399,873	6,346,096	15.3%	22.1%

(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	Notes Payable (b)	Total Obligation	Ratio of Debt to Assessed Value		Debt Per Capita	
								Net		Net	
								Bonded Debt	Total Obligation	Bonded Debt	Total Obligation
2013	18,265	\$ 1,546,354,883	\$ 4,180,000	\$ 8,432	\$ 4,171,568	\$ 47,661,300	51,832,868	0.3%	3.4%	\$ 228	\$ 2,838
2012	18,255	1,469,837,639	4,915,000	49,241	4,865,759	49,392,869	54,258,628	0.3%	3.7%	267	2,972
2011	18,194	1,478,503,863	5,620,000	47,382	5,572,618	48,541,810	54,114,428	0.4%	3.7%	306	2,974
2010	16,700	1,434,708,323	6,365,000	9,532	6,355,468	41,160,560	47,516,028	0.4%	3.3%	381	2,845
2009	16,640	1,371,784,821	7,035,000	27,999	7,007,001	38,836,766	45,843,767	0.5%	3.3%	421	2,755
2008	16,420	1,308,100,968	7,690,000	124,389	7,565,611	28,355,164	35,920,775	0.6%	2.7%	461	2,188
2007	16,365	1,229,251,632	8,345,000	104,833	8,240,167	29,921,293	38,161,460	0.7%	3.1%	504	2,332
2006	16,115	1,127,655,222	8,990,000	10,990	8,979,010	23,041,868	32,020,878	0.8%	2.8%	557	1,987
2005	14,940	1,014,597,352	9,505,000	51,856	9,453,144	11,121,197	20,574,341	0.9%	2.0%	633	1,377
2004	14,190	933,448,757	10,160,000	142,188	10,017,812	11,838,171	21,855,983	1.1%	2.3%	706	1,540

(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	\$ 4,171,568	100.00%	\$ 4,171,568	\$ 228	0.21%
Overlapping					
Metro	2,662,501	1.07%	28,489		
Portland Community College	2,357,019	1.34%	31,584		
Washington County	858,113	3.21%	27,545		
Tualatin Valley Fire and Rescue District	1,638,964	3.64%	59,658		
School District 88J	62,616,361	54.23%	33,956,853		
	<u>70,132,958</u>		<u>34,104,129</u>		
Total	<u><u>\$ 74,304,526</u></u>		<u><u>\$ 38,275,697</u></u>	\$ 2,096	1.92%

* 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, 2013

<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 Taxable Value</u>
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
2009	1,371,784,821	55%	2,480,684,514
Debt limitations (3% of total assessed value)			\$ 59,937,353
Outstanding Governmental Activities-General Obligation Debt			<u>4,180,000</u>
Net debt margin			\$ 55,757,353
Percentage of net debt margin available			<u>93.03%</u>
Percentage of net debt power exhausted			<u>6.97%</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>
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%
2004	38,696,586	10,160,000	73.74%

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>
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				
2004	14,190	2004				

(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

**CONSTRUCTION
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	Commercial Construction		Residential Construction	
	Number of Permits	Value	Number of Permits	Value
2013	51	\$ 28,521,307	66	\$ 20,238,250
2012	38	3,290,825	53	6,246,687
2011	75	6,306,272	80	5,484,747
2010	58	3,667,582	64	6,763,315
2009	82	52,920,675	66	41,204,023
2008	73	46,277,307	67	7,383,156
2007	102	9,388,197	117	19,688,517
2006	44	1,583,056	221	47,326,363
2005	1,099	25,097,289	606	67,506,532
2004	1,090	17,522,668	300	67,134,145

Source: City of Sherwood Building Department

CITY OF SHERWOOD
 Sherwood, Oregon

MISCELLANEOUS STATISTICS
 June 30, 2013

Date of incorporation	1893									
Form of government	Council/Manager									
	<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>	<u>2004</u>
Number of employees	95	96	96	94	88	89	89	93	83	79
Area in square miles	4.5	4.5	4.5	4.5	4.5	4.5	4.3	4.2	4.2	4.2
Miles of street	55	55	50	50	50	50	50	54	54	46.7
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	1
Acres of sports fields	55	55	61	61	61	54	54	26	26	54
Acres of maintained passive parks	57	57	67	67	67	67	67	67	67	44
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	3	3	3	3	3	3
Number of middle and high schools in the City	3	3	3	3	2	2	2	2	2	2

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

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



**Talbot, Korvola
& Warwick, LLP**

Certified Public Accountants
& Consultants

4800 Meadows Road, Suite 200
Lake Oswego, Oregon 97035-4293

P 503.274.2849
F 503.274.2853

www.tkw.com

January 31, 2014

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, 2013 and have issued our report thereon dated January 31, 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 the procedures to the extent we considered necessary to address the required comments and disclosures, which included, but were not limited to the following:

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

