

**URBAN RENEWAL AGENCY  
OF THE CITY OF SHERWOOD, OREGON**  
*(A component unit of the City of Sherwood, Oregon)*

**ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2013**

**URBAN RENEWAL AGENCY OF THE CITY OF SHERWOOD, OREGON**  
(A Component Unit of the City of Sherwood, Oregon)

**AGENCY OFFICIALS**  
**JUNE 30, 2013**

---

<u>Name</u>	<b>BOARD CHAIR</b>	<u>Term End Date</u>
Bill Middleton 22567 SW Saunders Dr. Sherwood, OR 97140		December 31, 2014
	<b>BOARD MEMBERS</b>	
Linda Henderson 14715 SW Brooke Court Sherwood, OR 97140		December 31, 2016
Krisanna Clark 23854 SW Aldergrove Avenue Sherwood, OR 97140		December 31, 2016
Robyn Folsom 15587 SW Oriole Court Sherwood, OR 97140		December 31, 2016
Dave Grant 14845 SW Brooke Court Sherwood, OR 97140		December 31, 2014
Matt Langer 21315 SW Baler Way Sherwood, OR 97140		December 31, 2014
Bill Butterfield 23614 SW Heron Lakes Drive Sherwood, OR 97140		December 31, 2014

**PRINCIPAL ADMINISTRATIVE OFFICIALS**

Joe Gall, Agency Manager  
Julie Blums, Finance Director

**URBAN RENEWAL AGENCY OF THE CITY OF SHERWOOD, OREGON**  
(A Component Unit of the City of Sherwood, Oregon)

**TABLE OF CONTENTS**

---

	Page
<b>INDEPENDENT AUDITOR’S REPORT</b>	1
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b>	4
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide Financial Statements	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements	
Governmental Funds Balance Sheet	11
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	12
Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance	13
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	14
Notes to Basic Financial Statements	15
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - General Fund	21
<b>OTHER SUPPLEMENTARY INFORMATION</b>	
Schedule of Revenues, Expenditures, Other Financing Sources (Uses) and Changes in Fund Balance – Budget and Actual - Capital Fund	22
Schedule of Property Tax Transactions	23
<b>COMPLIANCE SECTION</b>	
Independent Auditor’s Report Required by Oregon State Regulations	24



**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](http://www.tkw.com)

## **INDEPENDENT AUDITOR'S REPORT**

January 31, 2014

Board Members  
Urban Renewal Agency of the City of Sherwood, Oregon  
(A component unit of the City of Sherwood)  
Sherwood, Oregon

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Urban Renewal Agency of the City of Sherwood, Oregon, (the Agency) a component unit of the City of Sherwood, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Agency'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)**

Urban Renewal Agency of the City of Sherwood, Oregon  
(A component unit of the City of Sherwood, Oregon)  
Sherwood, Oregon  
January 31, 2014

### **OPINIONS**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency as of June 30, 2013, and the respective changes in financial position 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 the 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 Agency's basic financial statements. The accompanying budgetary comparison information for the Urban Renewal General Fund, listed in the Table of Contents as Required Supplementary Information is not a required part of the basic financial statements and is presented for 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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)**

Urban Renewal Agency of the City of Sherwood, Oregon  
(A component unit of the City of Sherwood, Oregon)  
Sherwood, Oregon  
January 31, 2014

**OTHER MATTERS (Continued)**

***Other Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The schedules listed in the Table of Contents as Other Supplementary Information, 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.

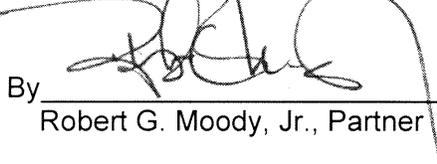
**REPORTS ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

***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 Agency'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

**URBAN RENEWAL AGENCY of the CITY OF SHERWOOD, OREGON**  
(A Component Unit of the City of Sherwood, Oregon)

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

This discussion and analysis of the Sherwood Urban Renewal Agency's *Annual Financial Report* for the fiscal year ended June 30, 2013 presents the highlights of financial activities and financial position for the Agency 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.

**1. FINANCIAL HIGHLIGHTS**

The Agency's net position decreased by \$167 thousand during the fiscal year ended June 30, 2013. This increased the Agency's deficit in net position to \$8.2 million.

Net position on June 30, 2013 consisted of \$15.1 million in assets and \$23.3 million in liabilities. The deficit in net position reflects the nature of the Agency: the Agency borrows money for projects and the completed projects are transferred to City ownership.

Of the \$8.2 million deficit in net position, \$0.5 million is restricted, \$(12.8) million is unrestricted, and \$4.2 million is invested in capital assets.

**2. OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis serves as an introduction and summary of the Agency's financial statements. It is followed by the financial statements themselves, which are comprised of four elements:

1. Government-Wide Financial Statements
  - a. Statement of Net Position
  - b. Statement of Activities
2. Fund Financial Statements – Governmental funds
  - a. Balance Sheet
  - b. Statement of Revenues, Expenditures and Changes in Fund Balance
3. Notes to the Financial Statements
4. Required Supplementary Information and Other Supplementary Information

*The Government Wide Financial Statements* are designed to provide the reader with a broad overview of the Agency's finances, in a manner similar to a private-sector business. These statements include all assets of the Agency (including infrastructure such as streets, buildings, etc.) as well as all liabilities.

*The Statement of Net Position* presents information on all of the Agency's assets and liabilities, with the difference between the two reported as "Net Position." Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating

*The Statement of Activities* presents information showing how the Agency's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will result in cash inflows or outflows in a future fiscal period.

**URBAN RENEWAL AGENCY of the CITY OF SHERWOOD, OREGON**  
(A Component Unit of the City of Sherwood, Oregon)

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

**2. OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

*Fund financial statements* – a fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds are used to account for activities where the emphasis is placed on available financial resources, rather than upon net position determination. Therefore, unlike the government-wide financial statements, governmental fund financial statements focus on the acquisition and use of current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Agency's near-term requirements.

Because the focus of governmental funds is narrower than that of the government-wide statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance are accompanied by reconciliations to facilitate this comparison between governmental funds and governmental activities.

*Notes to basic financial statements* provide additional information that is essential for a full understanding of the data provided in the government-wide fund financial statements. They are an integral part of the basic financial statements and should be read in conjunction with them.

**3. GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The Statement of Net Position (below) shows the Agency's net position as of the end of the last two fiscal years. The deficit in net position increased by \$167 thousand during FY13.

**STATEMENT OF NET POSITION**

*In Thousands of Dollars*

	2013	2012
<b>ASSETS:</b>		
Cash and investments	\$ 4,164	\$ 2,873
Restricted Cash	735	827
Receivables, net	163	1,420
Capital assets	10,065	10,227
<b>TOTAL ASSETS</b>	<b>15,128</b>	<b>15,347</b>
<b>LIABILITIES:</b>		
Current liabilities	1,768	1,171
Long-term obligations:	21,525	22,173
<b>TOTAL LIABILITIES</b>	<b>23,293</b>	<b>23,344</b>
<b>NET POSITION:</b>		
Invested in capital assets	4,166	4,328
Restricted	509	3,078
Unrestricted	(12,840)	(15,404)
<b>TOTAL NET POSITION</b>	<b>\$(8,165)</b>	<b>\$(7,997)</b>

**URBAN RENEWAL AGENCY of the CITY OF SHERWOOD, OREGON**  
(A Component Unit of the City of Sherwood, Oregon)

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

**3. GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)**

The Statement of Activities presents the changes in net position by detailing revenues and expenses for the Fiscal Years 2012 and 2013.

**STATEMENT OF ACTIVITIES**  
**YEARS ENDED JUNE 30,**  
*In Thousands of Dollars*

	<u>2013</u>	<u>2012</u>
<b>REVENUES</b>		
Property taxes	\$ 3,132	\$ 3,260
Miscellaneous	0	7
Interest Earnings	33	25
<b>TOTAL REVENUES</b>	<u>3,165</u>	<u>3,292</u>
<b>EXPENSES:</b>		
Urban Redevelopment	2,534	579
Interest on long term debt	798	823
<b>TOTAL EXPENSES</b>	<u>3,332</u>	<u>1,402</u>
<b>CHANGE IN NET POSITION</b>	(167)	1,890
<b>BEGINNING NET POSITION</b>	<u>(7,997)</u>	<u>(9,888)</u>
<b>ENDING NET POSITION</b>	<u><u>\$(8,165)</u></u>	<u><u>\$(7,997)</u></u>

Expenses exceeded operating revenues by \$167 thousand in FY13 resulting in an increase in the reported deficit in net position.

Expenses increased significantly this year as the Agency continues to build infrastructure within the Urban Renewal boundaries. The major projects in FY13 are Downtown Streetscapes and the Community Center.

**4. CAPITAL ASSETS**

At June 30, 2013, the Agency had \$10,065,019 invested in capital assets as compared to \$10,227,368 at June 30, 2012.

	<u>2013</u>	<u>2012</u>
Land	\$ 3,066,766	\$ 3,744,481
Construction in process	1,353,377	617,407
Buildings, infrastructure and equipment, net	5,644,876	5,865,480
	<u><u>\$ 10,065,019</u></u>	<u><u>\$ 10,227,368</u></u>

**URBAN RENEWAL AGENCY of the CITY OF SHERWOOD, OREGON**  
(A Component Unit of the City of Sherwood, Oregon)

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

**4. CAPITAL ASSETS (Continued)**

Major capital asset events during FY13 include the following:

- Sale of land for development of apartments in the downtown core.
- Purchase of land for the Community Center project.
- Construction of the Downtown Streetscapes Phase 2 project.
- Continued work on the Community Center

The Agency owned the following tracts of land on June 30, 2013:

- Cannery site
- Community Center site
- Old School site
- Undeveloped lot next to the Senior Center
- Robin Hood Theatre lot
- Two abutting properties on First Street
- Lot between the Railroad and Community Center site

Construction-in-process includes amounts paid in FY13 for the design of the Community Center. For additional information on the Agency's capital assets, refer to the Capital Assets Note in the Notes to Basic Financial Statements section.

**5. OBLIGATIONS OUTSTANDING**

During FY13 the Agency's debt obligations had a net decrease of \$0.56 million, ending the year at \$22.5 million outstanding. No new debt was issued, however two loans were refinanced to take advantage of lower interest rates. This refinancing will result in approximately \$700,000 in interest savings over the life of the loans.

**Obligations Outstanding**

	<b>2013</b>	<b>2012</b>
Long-Term Full Faith and Credit Notes	\$22,487,336	\$23,047,189

All Agency debt is in the form of long term loans backed by the Full Faith and Credit of the City of Sherwood. Intergovernmental agreements between the City and the Agency obligate the Agency to pay debt service. The Agency does not have a bond rating. It relies on the City's A1 bond rating (Moody's Investors Service) as all obligations are Full Faith and Credit borrowings. For additional information on the Agency's long term obligations, refer to the Long Term Obligations Note in the Notes to Basic Financial Statements section.

**6. HIGHLIGHTS OF FISCAL YEAR 2013 BUDGET**

There were two midyear adjustments to the FY13 budget. A supplemental budget was adopted to cover additional legal and personal services costs related to contracts for the Cannery projects and to recognize the refinancing of loan obligations. An appropriations transfer was adopted to cover costs related to the debt refinancing and overhead costs on the Community Center. All expenditures were within appropriation caps.

**URBAN RENEWAL AGENCY of the CITY OF SHERWOOD, OREGON**  
(A Component Unit of the City of Sherwood, Oregon)

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

**7. ECONOMIC FACTORS AND FISCAL YEAR 2014 BUDGET**

The anticipated economic situation for the Agency is that development will increase in FY14. Property tax revenues will increase with the increase in development. The Agency is collecting sufficient tax revenue to cover all annual operational and debt service expenditures

**8. FINANCIAL CONTACT**

The Agency's financial statements are designed to present Agency taxpayers, customers, investors and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability. If you have questions about the report or need additional financial information, please contact Julie Blums, Finance Director at 22560 SW Pine Street, Sherwood Oregon, 97140 or [blumsj@sherwoodoregon.gov](mailto:blumsj@sherwoodoregon.gov).

**URBAN RENEWAL AGENCY of the CITY OF SHERWOOD, OREGON**  
(A Component Unit of the City of Sherwood, Oregon)

**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

	Government Activities
<b>ASSETS:</b>	
Cash and investments	\$ 4,164,402
Restricted Cash	735,449
Property taxes receivable	163,138
Capital assets:	
Land, improvements and construction in progress	4,420,143
Other capital assets, net	<u>5,644,876</u>
<b>TOTAL ASSETS</b>	<u>15,128,008</u>
<b>LIABILITIES:</b>	
Accounts payable	626,381
Accrued interest payable	167,339
Compensated absences	11,506
Long-term obligations:	
Due with in one year	962,709
Due in more than one year	<u>21,524,627</u>
<b>TOTAL LIABILITIES</b>	<u>23,292,562</u>
<b>NET POSITION:</b>	
Net investment in capital assets	4,166,131
Restricted	508,904
Unrestricted	<u>(12,839,589)</u>
<b>TOTAL NET POSITION</b>	<u>\$ (8,164,554)</u>

See notes to basic financial statements

**URBAN RENEWAL AGENCY of the CITY OF SHERWOOD, OREGON**  
(A Component Unit of the City of Sherwood, Oregon)

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Function/Program	Expenses	Net (Expense) Revenue and Change in Net Position Total Governmental Activities
<b>Governmental activities:</b>		
Urban Redevelopment	\$ 2,533,977	\$ (2,533,977)
Interest on long-term borrowings	798,487	(798,487)
 Total	 \$ 3,332,464	 (3,332,464)
 <b>General revenues:</b>		
Property taxes		3,131,778
Miscellaneous		30
Unrestricted Interest earnings		33,333
Total general revenues		3,165,141
Change in net position		(167,323)
Net position - beginning		(7,997,231)
Net position - ending		\$ (8,164,554)

See notes to basic financial statements

**URBAN RENEWAL AGENCY of the CITY OF SHERWOOD, OREGON**  
(A Component Unit of the City of Sherwood, Oregon)

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2013**

	General Fund	Capital Fund	Totals
<b>ASSETS:</b>			
Cash and investments	\$ 3,999,565	\$ 164,837	\$ 4,164,402
Restricted Cash	-	735,449	735,449
Property taxes receivable	163,138	-	163,138
<b>TOTAL ASSETS</b>	<b>\$ 4,162,703</b>	<b>\$ 900,286</b>	<b>\$ 5,062,989</b>
<b>LIABILITIES:</b>			
Accounts payable	\$ 235,000	\$ 391,382	\$ 626,382
Unavailable revenue	149,464	-	149,464
<b>TOTAL LIABILITIES</b>	<b>384,464</b>	<b>391,382</b>	<b>775,846</b>
<b>FUND BALANCES:</b>			
Restricted for:			
Capital Projects	-	508,904	508,904
Unassigned	3,778,239	-	3,778,239
<b>TOTAL FUND BALANCES</b>	<b>3,778,239</b>	<b>508,904</b>	<b>4,287,143</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 4,162,703</b>	<b>\$ 900,286</b>	<b>\$ 5,062,989</b>

See notes to basic financial statements

**URBAN RENEWAL AGENCY of the CITY OF SHERWOOD, OREGON**  
(A Component Unit of the City of Sherwood, Oregon)

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

<b>TOTAL FUND BALANCE</b>	\$ 4,287,143
Total net position shown in the Statement of Net Position are different because:	
Capital assets are not financial resources for budgetary purposes and therefore are not reported in the governmental funds.	10,065,019
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 not reported in the governmental funds.	149,464
Compensated absences not payable in the current year are not recorded as governmental fund liabilities.	(11,506)
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 note payable	(22,487,335)
Accrued interest payable	<u>(167,339)</u>
	<u>(22,654,674)</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ (8,164,554)</u></u>

See notes to basic financial statements

**URBAN RENEWAL AGENCY of the CITY OF SHERWOOD, OREGON**  
(A Component Unit of the City of Sherwood, Oregon)

**GOVERNMENTAL FUNDS**

**STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2013**

	General Fund	Capital Fund	Totals
<b>REVENUES:</b>			
Property Taxes	\$ 3,143,480	\$ -	\$3,143,480
Interest on investments	17,417	15,916	33,333
Miscellaneous	30	-	30
	3,160,927	15,916	3,176,843
<b>TOTAL REVENUES</b>			
<b>EXPENDITURES:</b>			
Current:			
Urban Redevelopment	181,724	209,782	391,506
Non Current:			
Capital Outlay	-	2,415,557	2,415,557
Debt Service	7,170,718	-	7,170,718
	7,352,442	2,625,339	9,977,781
<b>TOTAL EXPENDITURES</b>			
Excess (deficiency) of revenues over expenditures	(4,191,515)	(2,609,423)	(6,800,938)
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from refunding	5,619,298	-	5,619,298
Proceeds from sale of capital assets	533,489	-	533,489
Transfers out	(40,059)	-	(40,059)
Transfers in	-	40,059	40,059
	6,112,728	40,059	6,152,787
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>			
<b>NET CHANGE IN FUND BALANCES</b>	1,921,213	(2,569,364)	(648,151)
<b>FUND BALANCES, beginning of year</b>	1,857,026	3,078,268	4,935,294
<b>FUND BALANCES, end of year</b>	\$ 3,778,239	\$ 508,904	\$4,287,143

See notes to basic financial statements

**URBAN RENEWAL AGENCY of the CITY OF SHERWOOD, OREGON**  
(A Component Unit of the City of Sherwood, Oregon)

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (648,151)

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

Governmental funds report capital assets additions as expenditures while  
governmental activities report depreciation expense to allocate those expenditures  
over the life of the assets.

Expenditures capitalized	1,029,123	
Disposals	(909,316)	
Depreciation	<u>(282,156)</u>	<u>(162,349)</u>

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. (11,702)

Repayment of bond principal is an expenditure in the governmental funds,  
but the repayment reduces long-term liabilities in the Statement of Net Position 6,179,152

Proceeds from borrowing is recorded in the governmental funds,  
but the issuance increases long-term liabilities in the Statement of Net Position. (5,619,298)

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

Accrued Interest	95,689	
Compensated Absences	<u>(664)</u>	<u>95,025</u>

CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (167,323)

**URBAN RENEWAL AGENCY of the CITY OF SHERWOOD, OREGON**  
(A Component Unit of the City of Sherwood, Oregon)

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

The financial statements of the Urban Renewal Agency of the City of Sherwood, Oregon (the Agency), a component unit of the City of Sherwood, Oregon, (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting standards. The more significant of the Agency's accounting policies are described below.

*Reporting Entity*

The Agency was created on July 1, 2001 to promote the economic welfare and prosperity of the City's inhabitants. The Agency is governed by a seven-member board of directors that include the City's mayor and council members and is reported as a blended component unit in the City's financial statements as special revenue and capital project funds.

*Government-wide and Fund Financial Statements*

*Government-wide financial statements* display information about the Agency as a whole. These statements focus on the sustainability of the Agency as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.

*Fund financial statements* display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary or fiduciary. Currently, the Agency has two governmental funds; the General Fund and the Capital Fund. Each fund is reported as major, and is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund balance, revenues and expenditures.

*Measurement Focus and Basis of Accounting*

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The modified accrual basis of accounting is used by governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Agency considers amounts collected within 30 days of year end to be available, and susceptible to accrual. Property tax revenues are susceptible to accrual using the 30 day window. Expenditures are recorded when the related fund liability is incurred.

**URBAN RENEWAL AGENCY of the CITY OF SHERWOOD, OREGON**  
(A Component Unit of the City of Sherwood, Oregon)

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***

*Cash Deposits and Investments*

The Agency maintains its cash balance as a part of the pooled cash of the City of Sherwood. 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 the state treasurer's investment pool, among others. Information on the City's cash and disclosures related to cash can be found in the Comprehensive Annual Financial Report of the City.

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 Agency's share of the LGIP approximate fair value.

*Receivables*

Property tax receivables for the governmental fund types, which have been collected within thirty days subsequent to year end, are considered measurable and available and are recognized as revenues. All other property taxes receivable are offset by unavailable revenues and, accordingly, have not been recorded as revenue. Real and personal property taxes are levied upon all taxable property within the Agency and become liens against the property as of July 1 of each year and are payable in three installments which are due on November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Property taxes receivable by the Agency represent the Agency's allocated share of delinquent property taxes and other amounts to be collected from property owners.

*Capital Assets*

Capital assets (items lasting more than one year and costing in excess of \$5,000) are stated at historical cost. Capital assets are charged to expenditures in the governmental fund types as purchased.

Capital assets are depreciated in the entity-wide statements using the straight-line method over the following estimated useful lives:

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

Normal maintenance and repairs are charged to operations as incurred. Major additions, improvements and replacements are capitalized. Gains or losses from sales or retirements of capital assets are included in operations.

**URBAN RENEWAL AGENCY of the CITY OF SHERWOOD, OREGON**  
(A Component Unit of the City of Sherwood, Oregon)

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***

*Long-term Obligations*

In the government-wide financial statements, long-term obligations are reported as liabilities. Bond premiums, discounts, deferred charges, and issuance costs are amortized over the life of the bonds on the straight line method. Bonds payable are reported net of the applicable premium or discount. Deferred charges and issuance costs are reported separately and amortized over the term of the related debt.

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

*Budget and Budgetary Accounting*

A budget is prepared for each fund in accordance with the modified accrual basis of accounting. Appropriations are made at the category level for all funds. Expenditures may not legally exceed appropriations. Appropriations lapse at the end of each fiscal year. Budget amounts include original approved amounts and all subsequent appropriation transfers approved by the governing board. After budget approval, the governing board may approve supplemental appropriations if an occurrence, condition, or need exists which had not been ascertained at the time the budget was adopted. Management may not amend the budget. A supplemental budget requires hearings before the public, publications in newspapers and approval by the governing board if it exceeds 10% of a fund's expenditures.

*Fund Balance*

Governmental Accounting Standards Board (GASB) Statement No. 54 requires analysis and presentation of fund balance within the governmental funds in five categories. The fund balance categories are:

- Non-spendable- Includes items not in spendable form such as prepaid items and inventories.
- Restricted – Includes items that are restricted by external creditors, grantors or contributors, or restricted by constitutional provisions or enabling legislation.
- Committed – Includes items committed by the Board in formal action such as by resolution or ordinance.
- Assigned – Includes items designated for specific use as authorized by the Agency Manager or Finance Director, under authority granted by the Agency Board.
- Unassigned – This is the residual classification used in the General Fund for those balances not assigned to another category, and for any deficits reported in other governmental funds.

The Agency 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.

**URBAN RENEWAL AGENCY of the CITY OF SHERWOOD, OREGON**  
(A Component Unit of the City of Sherwood, Oregon)

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

***DETAILED NOTES ON ALL ACCOUNTS***

**Cash and Investments**

*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 Agency had deposits in financial institutions totaling \$626,381, of which \$250,000 is insured by federal depository insurance.

Any deposits not covered by FDIC insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon. The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or so directed by the Office of the State Treasurer. 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.

*2. Investments*

The Agency participates in an external investment pool, the State of Oregon Treasurer's Local Government Investment Pool (LGIP). The LGIP is not registered with the U.S. Securities and Exchange Commission as an investment company. The State's investment policies are governed by the Oregon Revised Statutes (ORS) and the Oregon Investment Council (Council).

The LGIP is administered by the Oregon State Treasury with the advice of other state agencies and is not registered with the U. S. Securities and Exchange Commission. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short-Term Fund Board, which has established diversification percentages and specifies the types and maturities of the investments. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. These investments within the LGIP must be invested and managed as a prudent investor would, exercising reasonable care, skill and caution. The LGIP is not rated for credit quality. Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by securities that exist in physical or book entry form. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP.

The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. These funds are invested exercising reasonable care, skill and caution. Investments in the LGIP are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board which establishes diversification percentages and specifies investment types and maturities. 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](http://www.ost.state.or.us) or by mail at the Oregon State Treasurer, 350 Winter St. NE, Salem, Oregon 97310-0840.

**URBAN RENEWAL AGENCY of the CITY OF SHERWOOD, OREGON**  
(A Component Unit of the City of Sherwood, Oregon)

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**DETAILED NOTES ON ALL ACCOUNTS (Continued)**

**Cash and Investments (Continued)**

**3. Custodial Risk – Investments**

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

**Capital Assets**

The changes in capital assets for the year ended June 30, 2013 are as follows:

	Balances June 30, 2012	Additions	Deletions	Balances June 30, 2013
Land	\$ 3,744,481	\$ 231,601	\$(909,316)	\$ 3,066,766
Construction in process	617,407	735,970	-	1,353,377
Total capital assets not being depreciated	4,361,888	967,571	(909,316)	4,420,143
Buildings and improvements	2,662,993	61,552	-	2,724,545
Infrastructure	3,249,993	-	-	3,249,993
Machinery and equipment	2,071	-	-	2,071
Total capital assets being depreciated	5,915,057	61,552	-	5,976,609
Less accumulated depreciation	(49,577)	(282,156)	-	(331,733)
Total capital assets being depreciated, net	5,865,480	(220,604)	-	5,644,876
Total capital assets	<u>\$ 10,227,368</u>	<u>\$ 746,967</u>	<u>\$(909,316)</u>	<u>\$ 10,065,019</u>

**Long-Term Obligations**

	Original Amount	Outstanding at June 30, 2012	Issued/ Assumed	Matured/ Redeemed During Year	Outstanding at June 30, 2013	Due within One Year
<b>Long-term Loans</b>						
2003 Civic building - OECD (interest 3-4.625%) Matures December of 2023	\$5,845,708	\$ 3,995,913	\$ -	\$(3,995,913)	\$ -	\$ -
2006 URA Streets #1 (interest 5.38%) Matures August of 2021	1,800,000	1,272,319	-	(1,272,319)	-	-
2006 URA Streets #2 (interest variable) Matures December of 2026	6,400,000	5,285,069	-	(264,728)	5,020,342	271,517
2010 URA Cannery & Streets (interest 4.65%) Matures June of 2030	7,065,000	6,595,000	-	(235,000)	6,360,000	245,000
2010 URA Cannery Projects (interest 0.55%) Unspecified maturity date	8,500,000	5,898,888	-	-	5,898,888	-
2012 Civic bldg & street refunding (interest 3.0%) Matures December of 2023	5,245,000	-	5,245,000	(380,000)	4,865,000	415,000
Premium on bonds issued	374,298	-	374,298	(31,192)	343,106	31,192
Total		<u>\$23,047,189</u>	<u>\$5,619,298</u>	<u>\$(6,179,152)</u>	<u>\$22,487,336</u>	<u>\$ 962,709</u>

**URBAN RENEWAL AGENCY of the CITY OF SHERWOOD, OREGON**  
(A Component Unit of the City of Sherwood, Oregon)

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

***DETAILED NOTES ON ALL ACCOUNTS (Continued)***

**Long-Term Obligations (Continued)**

In 2011 the City obtained an \$8,500,000 loan through Infrastructure Authority (IFA) for the Cannery projects in the URA. Debt service will be paid by the URA. As of June 30, 2013 the URA has taken draws totaling \$5,898,888 from this loan, leaving a balance of \$2,601,112 to be used for Cannery projects. Debt service requirements for the IFA Cannery projects loan is not included in the debt service requirements in the schedule below 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.

Future maturities of long-term obligations are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 931,517	\$ 652,818	\$ 1,584,335
2015	968,378	616,862	1,585,240
2016	1,010,313	579,292	1,589,605
2017	1,047,325	540,030	1,587,355
2018	1,089,419	499,327	1,588,746
2019-2023	5,832,177	1,830,856	7,663,033
2024-2028	4,331,212	756,310	5,087,522
2029-2033	1,035,000	72,773	1,107,773
	<u>\$ 16,245,341</u>	<u>\$ 5,548,268</u>	<u>\$ 21,793,609</u>

In 2013 the City refinanced the 2003 Civic Building and 2006 Street #1 loans for the URA. The new interest rate is 3.0% resulting in approximately \$700,000 in interest savings over the term of the loan.

**Commitments and Contingencies**

The Agency is involved in various claims and legal matters relating to its operations which have all been tendered to the Agency's liability insurer or are being defended by attorneys. The Agency does not believe that any of these matters will have a material impact on its June 30, 2013 financial statements. The Agency has outstanding commitments at June 30, 2013 totaling \$417,641 related to construction contracts.

**REQUIRED SUPPLEMENTARY INFORMATION**

**URBAN RENEWAL AGENCY of the CITY OF SHERWOOD, OREGON**  
(A Component Unit of the City of 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		
<b>REVENUES:</b>				
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
<b>TOTAL REVENUES</b>	<u>3,325,500</u>	<u>3,325,500</u>	<u>3,160,927</u>	<u>(164,573)</u>
<b>EXPENDITURES:</b>				
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
<b>TOTAL EXPENDITURES</b>	<u>5,548,704</u>	<u>10,661,151</u>	<u>7,352,442</u>	<u>3,308,710</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(2,223,204)</u>	<u>(7,335,651)</u>	<u>(4,191,515)</u>	<u>3,144,136</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from refunding	-	5,172,447	5,619,298	446,851
Proceeds from sale of capital assets	-	-	533,489	533,489
Transfers out	-	(60,000)	(40,059)	19,941
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>5,112,447</u>	<u>6,112,728</u>	<u>1,000,281</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(2,223,204)</u>	<u>(2,223,204)</u>	<u>1,921,213</u>	<u>4,144,417</u>
<b>FUND BALANCE, beginning of year</b>	<u>2,223,204</u>	<u>2,223,204</u>	<u>1,857,026</u>	<u>(366,178)</u>
<b>FUND BALANCE, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,778,239</u>	<u>\$ 3,778,239</u>

**OTHER SUPPLEMENTARY INFORMATION**

**URBAN RENEWAL AGENCY of the CITY OF SHERWOOD, OREGON**  
(A Component Unit of the City of Sherwood, Oregon)

**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		
<b>REVENUES:</b>				
Fines, interest and other	\$ -	\$ -	\$ 15,916	\$ 15,916
<b>EXPENDITURES:</b>				
Personal services	115,556	115,556	106,335	9,221
Materials and services	56,703	109,703	103,447	6,256
Capital outlay	7,227,575	7,174,575	2,415,557	4,759,018
Contingency	149,585	149,585	-	149,585
<b>TOTAL EXPENDITURES</b>	<u>7,549,419</u>	<u>7,549,419</u>	<u>2,625,339</u>	<u>4,924,080</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(7,549,419)</u>	<u>(7,549,419)</u>	<u>(2,609,423)</u>	<u>4,939,996</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	40,059	40,059
Proceeds from borrowing	5,846,672	5,846,672	-	(5,846,672)
<b>TOTAL OTHER FINANCING SOURCES (USES):</b>	<u>5,846,672</u>	<u>5,846,672</u>	<u>40,059</u>	<u>(5,806,613)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,702,747)	(1,702,747)	(2,569,364)	(866,617)
<b>FUND BALANCE, beginning of year</b>	<u>1,702,747</u>	<u>1,702,747</u>	<u>3,078,268</u>	<u>1,375,521</u>
<b>FUND BALANCE, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 508,904</u>	<u>\$ 508,904</u>

**URBAN RENEWAL AGENCY of the CITY OF SHERWOOD, OREGON**  
(A Component Unit of the City of Sherwood, Oregon)

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

<u>Fiscal Year</u>	<u>Receivable July 1, 2012</u>	<u>2012-2013 Levy</u>	<u>Interest, Discounts &amp; Adjustments</u>	<u>Collections</u>	<u>Receivable June 30, 2013</u>
2012-13	\$ -	\$3,237,484	\$ (78,603)	\$ (3,081,699)	\$ 77,182
2011-12	82,555	-	(23,522)	(22,117)	36,916
2010-11	45,664	-	(9,278)	(8,733)	27,653
2009-10	26,165	-	2,780	(11,364)	17,581
2008-09	4,187	-	877	(3,484)	1,580
2007-08	1,145	-	132	(545)	732
Prior Years	1,450	-	520	(476)	1,494
<b>Total</b>	<b>\$ 161,166</b>	<b>\$3,237,484</b>	<b>\$ (107,094)</b>	<b>\$ (3,128,418)</b>	<b>\$ 163,138</b>

## **COMPLIANCE SECTION**

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

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

January 31, 2014

Board Members  
Urban Renewal Agency of the City of Sherwood, Oregon  
(A component unit of the City of Sherwood, Oregon)  
Sherwood, Oregon



**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](http://www.tkw.com)

We have audited in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities and each major fund of the Urban Renewal Agency of the City of Sherwood, Oregon (the Agency), a component unit of the City of Sherwood, (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 Agency'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.
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).

In connection with our testing, nothing came to our attention that caused us to believe the Agency was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

