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, 2015

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

AGENCY OFFICIALS
JUNE 30, 2015

Name		Term End Date
Krisanna Clark 23854 SW Aldergrove Avenue Sherwood, OR	**BOARD CHAIR**	December 31, 2016
	BOARD MEMBERS	
Linda Henderson 14715 SW Brooke Court Sherwood, OR 97140		December 31, 2016
Dan King 17250 SW Sand Hill Lane Sherwood, OR 97140		December 31, 2016
Renee Brouse 22794 SW Highland Dr Sherwood, OR 97140		December 31, 2016
Sally Robinson 17879 SW Cereghino Ln Sherwood, OR 97140		December 31, 2018
Jennifer Harris 21484 SW Roellich Ave Sherwood, OR 97140		December 31, 2018
Jennifer Kuiper 17075 SW Cobblestone Dr Sherwood, OR 97140		December 31, 2018

PRINCIPAL ADMINISTRATIVE OFFICIAL

Joseph Gall, Agency Manager

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

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Talbot, Korvola
& Warwick, LLP

Certified Public Accountants
& Consultants

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INDEPENDENT AUDITOR'S REPORT

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, Oregon, as of and for the year ended June 30, 2015, 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 Agency'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 Agency'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 financial statement presentation of the financial statements.

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

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The McGladrey Alliance is a premier affiliation of independent accounting and consulting firms. The McGladrey Alliance member firms maintain their name, autonomy and independence and are responsible for their own client fee arrangements, delivery of services and maintenance of client relationships.

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.

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

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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.

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 29, 2016, 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

By _____
Angelique Whitlow, Partner

Lake Oswego, Oregon
January 29, 2016

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, 2015

This discussion and analysis of the Sherwood Urban Renewal Agency (Agency) *Annual Financial Report* for the fiscal year ended June 30, 2015 presents the highlights of financial activities and financial position for the Agency for the year ended June 30, 2015 ("FY15"). 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 $4.4 million during the fiscal year ended June 30, 2015. This increased the Agency's deficit in net position to $17.2 million.

Net position on June 30, 2015 consisted of $3.7 million in assets and $20.9 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 $17.2 million deficit in net position, $1.6 million is restricted, ($20.6) million is unrestricted, and $1.8 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.

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 basic 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 (summarized below) shows the Agency's net position as of the end of the last two fiscal years. The deficit in net position increased by $4.4 million during FY15.

STATEMENT OF NET POSITION
In Thousands of Dollars

	2015	2014 restated
ASSETS:		
Restricted cash and investments	$ 1,746	$ 3,685
Receivables, net	177	176
Capital assets	1,823	5,107
TOTAL ASSETS	3,746	8,969
LIABILITIES:		
Current liabilities	1,418	1,213
Long-term obligations	19,484	20,525
TOTAL LIABILITIES	20,901	21,738
NET POSITION:		
Net investment in capital assets	1,823	4,597
Restricted	1,619	3,657
Unrestricted	(20,597)	(21,023)
TOTAL NET POSITION	$ (17,155)	$ (12,769)

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 2014 and 2015.

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

	2015	2014
REVENUES AND CONTRIBUTIONS:		
Property taxes	$ 3,463	$ 3,788
Intergovernmental	17	216
Interest earnings	15	28
Contribution of capital assets	(6,763)	-
TOTAL REVENUES AND CONTRIBUTIONS	(3,268)	4,033
EXPENSES:		
Urban redevelopment	436	7,986
Interest on long term debt	682	644
TOTAL EXPENSES	1,118	8,629
CHANGE IN NET POSITION	(4,386)	(4,597)
BEGINNING NET POSITION, as originally stated	(12,769)	(8,165)
Restatement	-	(7)
BEGINNING NET POSITION, as restated	(12,769)	(8,172)
ENDING NET POSITION	$ (17,155)	$ (12,769)

Expenses exceeded revenues by $4.4 million in FY15 resulting in an increase in the reported deficit in net position.

Expenses decreased significantly this year as the Agency wraps up the major capital projects to build infrastructure within the Urban Renewal boundaries. The major project in FY15 was the completion of the Sherwood Center for the Arts which was contributed to the City.

4. CAPITAL ASSETS

At June 30, 2015 the Agency had $1,822,920 invested in capital assets as compared to $5,106,929 at June 30, 2014.

	2015	2014
Land	$ 1,822,920	$ 3,066,766
Construction in process	-	2,040,163
	$ 1,822,920	$ 5,106,929

Major capital asset events during FY15 include the following:

- Completion of the Center for the Arts
- Purchase and sale of property

4. CAPITAL ASSETS (Continued)

The Agency owned the following tracts of land on June 30, 2015:

- Cannery properties
- Undeveloped lot next to the Senior Center
- Two abutting properties on First Street
- Lot on Columbia St.
- Old School site
- Robin Hood Theatre lot

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 FY15 the Agency's debt obligations had a net decrease of $0.99 million resulting from scheduled debt service payments, ending the year at $20.5 million outstanding. No new debt was issued.

Obligations Outstanding

	2015	2014
Long-Term Full Faith and Credit Notes	$20,525,057	$21,524,626

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). 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 2015 BUDGET

There was one mid-year change to the URA budgets to transfer appropriations between categories. Property tax revenue was less than expected due to estimates in property values. The URA sold two pieces of land and purchased other pieces of property that will be converted into a parking lot for downtown. Additionally the Center for the Arts construction was completed and the facility opened in February 2015.

7. ECONOMIC FACTORS AND FISCAL YEAR 2015 BUDGET

The anticipated economic situation for the Agency is that development will increase in FY16. 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 Joseph Gall, City Manager at 22560 SW Pine Street, Sherwood Oregon, 97140 or gallj@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, 2015

	Government Activities
ASSETS:	
Restricted cash and investments	$ 1,746,240
Property taxes receivable	164,454
Accounts receivable	12,635
Capital assets:	
Land, improvements and construction in progress	1,822,920
TOTAL ASSETS	3,746,249
LIABILITIES:	
Accounts payable	140,771
Other accrued liabilities	11,837
Accrued interest payable	223,426
Long-term obligations:	
Due with in one year	1,041,505
Due in more than one year	19,483,552
TOTAL LIABILITIES	20,901,093
NET POSITION:	
Net investment in capital assets	1,822,920
Restricted	1,619,259
Unrestricted	(20,597,023)
TOTAL NET POSITION	$ (17,154,844)

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, 2015

Function/Program	Expenses	Net (Expense) Revenue and Change in Net Position Total Governmental Activities
Governmental activities:		
Urban redevelopment	$ 435,916	$ (435,916)
Interest on long-term obligations	682,216	(682,216)
Total	$ 1,118,132	(1,118,132)
General revenues:		
Property taxes		3,463,466
Intergovernmental		16,900
Unrestricted interest earnings		15,110
Contribution of capital assets		(6,763,391)
Total general revenues and contribution		(3,267,915)
Change in net position		(4,386,047)
Net position (deficit), June 30, 2014 as originally stated		(12,761,055)
Restatement		(7,742)
Net position (deficit), June 30, 2014 as restated		(12,768,797)
Net position (deficit), June 30, 2015		$ (17,154,844)

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, 2015

	General Fund	Capital Fund	Totals
ASSETS:			
Restricted cash and investments	$ 1,746,240	$ -	$ 1,746,240
Property taxes receivable	164,453	-	164,453
Accounts receivable	12,636	-	12,636
TOTAL ASSETS	$ 1,923,329	$ -	$ 1,923,329
LIABILITIES:			
Accounts payable	$ 140,771	-	$ 140,771
Other accrued liabilities	7,939	-	7,939
TOTAL LIABILITIES	148,710	-	148,710
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue - property taxes	155,359	-	155,359
FUND BALANCES:			
Restricted for urban renewal projects	1,619,259	-	1,619,259
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 1,923,328	$ -	$ 1,923,328

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, 2015

TOTAL FUND BALANCE		$ 1,619,259
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.		1,822,920
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.		155,359
Other accrued liabilities not payable in the current year are not recorded as governmental fund liabilities.		(3,898)
Long-term 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	$ (20,525,057)	
Accrued interest payable	(223,427)	(20,748,484)
TOTAL NET POSITION		$ (17,154,844)

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, 2015

	General Fund	Capital Fund	Totals
REVENUES:			
Property taxes	$ 3,474,465	$ -	$3,474,465
Intergovernmental	-	16,900	16,900
Interest on investments	15,110	-	15,110
TOTAL REVENUES	3,489,575	16,900	3,506,475
EXPENDITURES:			
Current:			
Urban redevelopment	132,341	-	132,341
Noncurrent:			
Capital outlay	-	4,000,985	4,000,985
Debt service	1,585,240	-	1,585,240
TOTAL EXPENDITURES	1,717,581	4,000,985	5,718,566
Excess (deficiency) of revenues over expenditure	1,771,994	(3,984,085)	(2,212,091)
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	182,064	-	182,064
Transfers out	(3,988,201)	-	(3,988,201)
Transfers in	-	3,988,201	3,988,201
TOTAL OTHER FINANCING SOURCES (USES)	(3,806,137)	3,988,201	182,064
NET CHANGE IN FUND BALANCES	(2,034,142)	4,116	(2,030,027)
FUND BALANCE, June 30, 2014 as originally stated	3,657,028	-	3,657,028
Restatement	(3,626)	(4,116)	(7,742)
FUND BALANCE, June 30, 2014 as restated	3,653,402	(4,116)	3,649,286
FUND BALANCE, June 30, 2015	$ 1,619,259	$ -	$1,619,259

See notes to basic financial statements

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, 2015

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		$(2,030,027)
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	$ 4,002,411	
Contribution of capital assets	(6,763,391)	
Disposals	(523,029)	(3,284,009)
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 Activites they are recognized as revenue when levied or earned.		(10,999)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		999,570
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as		
Other accrued liabilities	4,771	
Accrued interest payable	(65,353)	(60,582)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$(4,386,047)

See notes to basic financial statements

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 a special revenue and a capital project fund. All significant activities over which the Agency exercises oversight responsibility have been included in the component unit financial statements.

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 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, deferred inflows, 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

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. Interest earnings are allocated by the City based on the proportion of the Agency's cash to total City pooled funds.

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. Donated capital assets are recorded at the fair market value of such assets at the date of donation. Capital assets are charged to expenditures in the governmental fund types as purchased.

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

Assets	Years
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.

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 and deferred charges are amortized over the life of the bonds on the straight line method. Bonds payable are reported net of the applicable premium or discount.

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.

Pension Plan

The Agency's employees are employees of the City of Sherwood; therefore no pension costs are attributable to the Agency.

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 by resolution.
- Assigned – Includes items designated for specific use as authorized by the Agency, 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.

DETAILED NOTES ON ALL ACCOUNTS

Capital Assets

The changes in capital assets for the year ended June 30, 2015 are as follows:

	Balances June 30, 2014	Additions & Transfers	Deletions & Transfers	Balances June 30, 2015
Land	$ 3,066,766	$ 160,235	$ (1,404,081)	$ 1,822,920
Construction in process	2,040,163	3,858,176	(5,898,339)	-
Total capital assets not being depreciated	5,106,929	4,018,411	(7,302,420)	1,822,920
Total capital assets	$ 5,106,929	$ 4,018,411	$ (7,302,420)	$ 1,822,920

Long-Term Obligations

	Original Amount	Outstanding at June 30, 2014	Issued/ Assumed	Matured/ Redeemed During Year	Outstanding at June 30, 2015	Due within One Year
Long-term Loans						
2006 URA Streets #2 (interest variable)						
Matures December 2026	$6,400,000	$ 4,748,824	$ -	$ (283,378)	$ 4,465,447	$ 295,313
2010 URA Cannery & Streets (interest 4.65%)						
Matures June 2030	7,065,000	6,115,000	-	(260,000)	5,855,000	275,000
2010 URA Cannery Projects (interest 0.55%)						
Matures December 2020	5,898,888	5,898,888	-	-	5,898,888	-
2012 Civic bldg & street refunding (interest 3.0%)						
Matures December 2023	5,245,000	4,450,000	-	(425,000)	4,025,000	440,000
Premium on bonds issued	374,298	311,914	-	(31,192)	280,722	31,192
Total		$21,524,626	$ -	$ (999,570)	$20,525,057	$1,041,505

Future maturities of long-term obligations are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	$ 1,010,313	$ 709,053	$ 1,719,366
2017	2,180,846	658,008	2,838,854
2018	2,245,610	594,634	2,840,244
2019	2,310,910	529,109	2,840,019
2020	2,376,760	461,493	2,838,253
2021-2025	6,790,477	1,406,523	8,197,000
2026-2030	3,329,418	408,134	3,737,552
	$20,244,334	$4,766,954	$25,011,288

DETAILED NOTES ON ALL ACCOUNTS (Continued)

Restatement

A restatement to correct an error of other accrued liabilities was posted as follows:

Net position - June 30, 2014 as originally reported	$ (12,761,055)
Restatement	(7,742)
Net position - June 30, 2014 as restated	$ (12,768,797)

The restatement was made in the General Fund in the amount of $3,626 and in the Capital Fund in the amount of $4,116, totaling $7,742.

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, 2015 financial statements. The Agency has outstanding commitments at June 30, 2015 totaling $222,400 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, 2015

	Budget			Variance with final budget positive
	Original	Final	Actual	(negative)
REVENUES:				
Property taxes	$3,585,535	$3,585,535	$ 3,474,465	$ (111,070)
Fines, interest and other	18,000	18,000	15,110	(2,890)
TOTAL REVENUES	3,603,535	3,603,535	3,489,575	(113,960)
EXPENDITURES:				
Personal services	34,357	54,357	56,390	(2,033)
Materials and services	73,502	76,002	75,951	51
Debt service	1,585,240	1,585,240	1,585,240	-
Contingency	1,452,911	1,340,411	-	1,340,411
TOTAL EXPENDITURES	3,146,010	3,056,010	1,717,581	1,338,429
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	457,525	547,525	1,771,994	1,224,469
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of capital assets	-	-	182,064	182,064
Transfers out	(4,000,000)	(4,090,000)	(3,988,201)	101,799
TOTAL OTHER FINANCING SOURCES (USES)	(4,000,000)	(4,090,000)	(3,806,137)	283,863
NET CHANGE IN FUND BALANCE	(3,542,475)	(3,542,475)	(2,034,142)	1,508,333
FUND BALANCE, June 30, 2014 as originally stated	3,542,475	3,542,475	3,657,028	114,553
Restatement	-	-	(3,626)	(3,626)
FUND BALANCE, June 30, 2014 as restated	3,542,475	3,542,475	3,653,402	110,927
FUND BALANCE, June 30, 2015	-	-	$ 1,619,260	$1,619,260

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, 2015

	Budget			Variance with final budget positive (negative)
	Original	Final	Actual	
REVENUES:				
Intergovernmental	$ -	$ -	$ 16,900	$ 16,900
EXPENDITURES:				
Personal services	125,080	110,080	96,132	13,948
Materials and services	89,761	79,761	75,835	3,926
Capital outlay	3,786,262	3,866,262	3,829,018	37,244
Contingency	17,720	17,720	-	17,720
TOTAL EXPENDITURES	4,018,823	4,073,823	4,000,985	72,838
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,018,823)	(4,073,823)	(3,984,085)	34,738
OTHER FINANCING SOURCES (USES):				
Transfers in	4,000,000	4,055,000	3,988,201	(66,799)
NET CHANGE IN FUND BALANCE	(18,823)	(18,823)	4,116	22,939
FUND BALANCE, June 30, 2014 as originally stated	18,823	18,823	-	(18,823)
Restatement	-	-	(4,116)	(4,116)
FUND BALANCE, June 30, 2014 as restated	18,823	18,823	(4,116)	(22,939)
FUND BALANCE, June 30, 2015	$ -	$ -	$ -	$ -

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, 2015

Fiscal Year	Receivable June 30, 2014	2014-2015 Levy	Interest, Discounts & Adjustments	Collections	Receivable June 30, 2015
2014-15	$ -	$3,561,323	$ (96,800)	$(3,398,893)	$ 65,630
2013-14	86,153	-	1,099	(51,090)	36,162
2012-13	33,599	-	(414)	(10,655)	22,530
2011-12	25,059	-	(1,018)	(8,507)	15,534
2010-11	17,129	-	(2,382)	(3,190)	11,557
2009-10	12,283	-	96	(1,067)	11,312
Prior Years	2,252	-	483	(1,006)	1,729
Total	$ 176,475	$3,561,323	$ (98,936)	$(3,474,408)	$ 164,454

COMPLIANCE SECTION

Talbot, Korvola
& Warwick, LLP

Certified Public Accountants
& Consultants

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INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS

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

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, Oregon as of and for the year ended June 30, 2015, and have issued our report thereon dated January 29, 2016.

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 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* except as follows:

Over expenditure of appropriations in the General Fund for personal services of $2,033.

The McGladrey Alliance is a premier affiliation of independent accounting and consulting firms. The McGladrey Alliance member firms maintain their name, autonomy and independence and are responsible for their own client fee arrangements, delivery of services and maintenance of client relationships.

OAR 162-10-0230 INTERNAL CONTROL

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control. Deficiencies in internal control were communicated separately.

RESTRICTIONS ON USE

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

Talbot, Korvola & Warwick, LLP

Lake Oswego, Oregon
January 29, 2016