



*Home of the Tualatin River National Wildlife Refuge*

URBAN RENEWAL AGENCY  
OF THE CITY OF SHERWOOD, OREGON  
(A COMPONENT UNIT OF THE CITY OF SHERWOOD, OREGON)

ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**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, 2014**

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

**AGENCY OFFICIALS**  
**JUNE 30, 2014**

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<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)

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**Talbot, Korvola  
& Warwick, LLP**

Certified Public Accountants  
& Consultants

*ACHIEVE MORE*

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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, as of and for the year ended June 30, 2014, and the related notes to 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  
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### **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, 2014, 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.

### **OTHER MATTERS**

#### ***Required Supplementary Information***

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

Accounting principles generally accepted in the United State of America require that the budgetary comparison information for the 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 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. 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  
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### **OTHER MATTERS (Continued)**

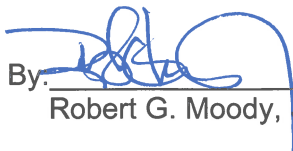
#### ***Other Supplementary Information***

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

### **OTHER REPORTING REQUIRED BY OREGON MINIMUM STANDARDS**

In accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated December 3, 2014, on our consideration of the 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:   
Robert G. Moody, Jr., Partner

Lake Oswego, Oregon  
December 3, 2014

**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, 2014**

This discussion and analysis of the Sherwood Urban Renewal Agency (Agency) *Annual Financial Report* for the fiscal year ended June 30, 2014 presents the highlights of financial activities and financial position for the Agency for the year ended June 30, 2014 ("FY14"). It has been prepared by management and should be read in conjunction with the financial statements and notes.

**1. FINANCIAL HIGHLIGHTS**

The Agency's net position decreased by \$4.6 million during the fiscal year ended June 30, 2014. This increased the Agency's deficit in net position to \$12.8 million.

Net position on June 30, 2014 consisted of \$9 million in assets and \$21.7 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 \$12.8 million deficit in net position, \$3.7 million is restricted, (\$21) million is unrestricted, and \$4.6 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, 2014**

**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 \$4.6 million during FY14.

**STATEMENT OF NET POSITION**

*In Thousands of Dollars*

	2014	2013
<b>ASSETS:</b>		
Cash and investments	\$ -	\$ 4,164
Restricted Cash	3,685	735
Receivables, net	176	163
Capital assets	5,107	10,065
<b>TOTAL ASSETS</b>	<u>8,969</u>	<u>15,128</u>
<b>LIABILITIES:</b>		
Current liabilities	1,205	1,768
Long-term obligations:	20,525	21,525
<b>TOTAL LIABILITIES</b>	<u>21,730</u>	<u>23,293</u>
<b>NET POSITION:</b>		
Net Investment in capital assets	4,597	4,166
Restricted	3,657	509
Unrestricted	(21,016)	(12,840)
<b>TOTAL NET POSITION</b>	<u>\$ (12,761)</u>	<u>\$ (8,165)</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, 2014**

**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 2013 and 2014.

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

	<u>2014</u>	<u>2013</u>
<b>REVENUES</b>		
Property taxes	\$ 3,788	\$ 3,132
Intergovernmental	216	-
Interest Earnings	28	33
<b>TOTAL REVENUES</b>	<u>4,033</u>	<u>3,165</u>
<b>EXPENSES:</b>		
Urban Redevelopment	7,986	2,534
Interest on long term debt	644	798
<b>TOTAL EXPENSES</b>	<u>8,629</u>	<u>3,332</u>
<b>CHANGE IN NET POSITION</b>	(4,597)	(167)
<b>BEGINNING NET POSITION</b>	<u>(8,165)</u>	<u>(7,997)</u>
<b>ENDING NET POSITION</b>	<u><u>\$ (12,761)</u></u>	<u><u>\$ (8,165)</u></u>

Expenses exceeded operating revenues by \$4.6 million in FY14 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 FY14 were Downtown Streetscapes and the Community Center.

**4. CAPITAL ASSETS**

At June 30, 2014 the Agency had \$5,106,929 invested in capital assets as compared to \$10,065,019 at June 30, 2013.

	<u>2014</u>	<u>2013</u>
Land	\$ 3,066,766	\$ 3,066,766
Construction in process	2,040,163	1,353,377
Buildings, infrastructure and equipment, net	-	5,644,876
	<u><u>\$ 5,106,929</u></u>	<u><u>\$ 10,065,019</u></u>

Major capital asset events during FY14 include the following:

- Demolition of the Machine Works building on the Community Center site.
- Continued work on the Community Center
- Projects completed and transferred to the City of Sherwood with a total combined value of \$7.5 million.

**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, 2014**

**4. CAPITAL ASSETS (Continued)**

The Agency owned the following tracts of land on June 30, 2014:

- 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

Construction-in-process includes amounts paid in FY14 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 FY14 the Agency's debt obligations had a net decrease of \$0.96 million resulting from scheduled debt service payments, ending the year at \$21.5 million outstanding. No new debt was issued.

**Obligations Outstanding**

	<u>2014</u>	<u>2013</u>
Long-Term Full Faith and Credit Notes	\$21,524,627	\$22,487,335

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 2014 BUDGET**

There were no mid-year changes to the URA budgets. Property tax revenue was higher than expected and the projected sale of land was delayed to FY15. Additionally the Community Center construction has been extended into FY15 resulting in a delay of budgeted expenditures from FY14.

**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, 2014**

	Government Activities
<b>ASSETS:</b>	
Cash and investments	\$ -
Restricted Cash	3,685,201
Property taxes receivable	176,475
Capital assets:	
Land, improvements and construction in progress	<u>5,106,929</u>
<b>TOTAL ASSETS</b>	<u>8,968,605</u>
 <b>LIABILITIES:</b>	
Accounts payable	38,290
Accrued interest payable	158,074
Compensated absences	8,669
Long-term obligations:	
Due with in one year	999,570
Due in more than one year	<u>20,525,057</u>
<b>TOTAL LIABILITIES</b>	<u>21,729,660</u>
 <b>NET POSITION:</b>	
Net investment in capital assets	4,597,435
Restricted	3,657,028
Unrestricted	<u>(21,015,518)</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ (12,761,055)</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)

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Function/Program	Expenses	Net (Expense) Revenue and Change in Net Position <u>Total Governmental Activities</u>
Governmental activities:		
Urban Redevelopment	\$ 7,985,686	\$ (7,985,686)
Interest on long-term borrowings	<u>643,554</u>	<u>(643,554)</u>
Total	<u>\$ 8,629,240</u>	<u>(8,629,240)</u>
<b>General revenues:</b>		
Property taxes		3,788,318
Intergovernmental		216,198
Unrestricted Interest earnings		<u>28,223</u>
Total general revenues		<u>4,032,739</u>
Change in net position		(4,596,501)
Net position - beginning		<u>(8,164,554)</u>
Net position - ending		<u>\$ (12,761,055)</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  
BALANCE SHEET  
JUNE 30, 2014**

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Totals</u>
<b>ASSETS:</b>			
Restricted Cash	\$ 3,646,911	\$ 38,290	\$ 3,685,201
Property taxes receivable	<u>176,475</u>	<u>-</u>	<u>176,475</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,823,386</u></u>	<u><u>\$ 38,290</u></u>	<u><u>\$ 3,861,676</u></u>
<b>LIABILITIES:</b>			
Accounts payable	<u>\$ -</u>	<u>\$ 38,290</u>	<u>\$ 38,290</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Unavailable revenue - property taxes	<u>166,358</u>	<u>-</u>	<u>166,358</u>
<b>FUND BALANCES:</b>			
Restricted for capital projects	<u>3,657,028</u>	<u>-</u>	<u>3,657,028</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<u><u>\$ 3,823,386</u></u>	<u><u>\$ 38,290</u></u>	<u><u>\$ 3,861,676</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)

**RECONCILIATION OF GOVERNMENTAL FUNDS  
BALANCE SHEET TO STATEMENT OF NET POSITION  
JUNE 30, 2014**

<b>TOTAL FUND BALANCE</b>	<b>\$ 3,657,028</b>
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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.	5,106,929
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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.	166,358
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Compensated absences not payable in the current year are not recorded as governmental fund liabilities.	(8,669)
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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	\$ (21,524,627)	
Accrued interest payable	<u>(158,074)</u>	<u>(21,682,701)</u>

<b>TOTAL NET POSITION</b>	<b><u><u>\$ (12,761,055)</u></u></b>
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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 REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund	Capital Fund	Totals
<b>REVENUES:</b>			
Property Taxes	\$ 3,771,424	\$ -	\$ 3,771,424
Intergovernmental	-	216,198	216,198
Interest on investments	25,986	2,237	28,223
<b>TOTAL REVENUES</b>	<u>3,797,410</u>	<u>218,435</u>	<u>4,015,845</u>
<b>EXPENDITURES:</b>			
Current:			
Urban Redevelopment	150,998	-	150,998
Non Current:			
Capital Outlay	-	2,910,628	2,910,628
Debt Service	1,584,335	-	1,584,335
<b>TOTAL EXPENDITURES</b>	<u>1,735,333</u>	<u>2,910,628</u>	<u>4,645,961</u>
Excess (deficiency) of revenues over expenditures	<u>2,062,077</u>	<u>(2,692,193)</u>	<u>(630,116)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	(2,183,289)	-	(2,183,289)
Transfers in	-	2,183,289	2,183,289
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(2,183,289)</u>	<u>2,183,289</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	(121,211)	(508,904)	(630,116)
<b>FUND BALANCES, beginning of year</b>	<u>3,778,239</u>	<u>508,904</u>	<u>4,287,143</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 3,657,028</u>	<u>\$ -</u>	<u>\$ 3,657,028</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)

**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, 2014**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (630,116)

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	\$ 2,553,231	
Disposals	(7,843,053)	
Depreciation	<u>331,733</u>	<u>(4,958,089)</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.

16,894

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

962,709

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

Compensated Absences	2,837	
Accrued Interest	<u>9,264</u>	<u>12,101</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (4,596,501)

See notes to basic financial statements

**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, 2014**

***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, 2014**

***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 government-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, 2014**

***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. Deferred charges 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 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.

**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, 2014**

***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 Agency's deposits may not be returned to it. At June 30, 2014, the Agency had deposits in financial institutions totaling \$38,290, all of which 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, 2014**

**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, 2014 are as follows:

	Balances June 30, 2013	Additions	Deletions	Balances June 30, 2014
Land	\$ 3,066,766	\$ -	\$ -	\$ 3,066,766
Construction in process	1,353,377	2,553,231	(1,866,444)	2,040,163
Total capital assets not being depreciated	4,420,143	2,553,231	(1,866,444)	5,106,929
Buildings and improvements	2,724,545	-	(2,724,545)	-
Infrastructure	3,249,993	1,866,444	(5,116,437)	-
Machinery and equipment	2,071	-	(2,071)	-
Total capital assets being depreciated	5,976,609	1,866,444	(7,843,053)	-
Less accumulated depreciation	(331,733)	-	331,733	-
Total capital assets being depreciated, net	5,644,876	1,866,444	(7,511,320)	-
Total capital assets	<u>\$ 10,065,019</u>	<u>\$ 4,419,675</u>	<u>\$ (9,377,764)</u>	<u>\$ 5,106,929</u>

**Long-Term Obligations**

	Original Amount	Outstanding at June 30, 2013	Issued/ Assumed	Matured/ Redeemed During Year	Outstanding at June 30, 2014	Due within One Year
<b>Long-term Loans</b>						
2006 URA Streets #2 (interest variable)						
Matures December of 2026	\$6,400,000	\$ 5,020,341	\$ -	\$ (271,517)	\$ 4,748,825	\$283,378
2010 URA Cannery & Streets (interest 4.65%)						
Matures June of 2030	7,065,000	6,360,000	-	(245,000)	6,115,000	260,000
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	4,865,000	-	(415,000)	4,450,000	425,000
Premium on bonds issued	374,298	343,106	-	(31,192)	311,914	31,192
Total		<u>\$22,487,335</u>	<u>\$ -</u>	<u>\$ (962,709)</u>	<u>\$21,524,627</u>	<u>\$999,570</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, 2014**

***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, 2014 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 included in the thereafter requirements line in the schedule below as the repayment terms will be determined when the project is complete.

Future maturities of long-term obligations are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,131,595	456,925	1,588,520
2020-2024	5,894,988	1,604,553	7,499,541
2025-2029	3,641,807	573,816	4,215,623
2030-2034	530,000	24,645	554,645
Thereafter	5,898,888	32,444	5,931,332
	<u>\$ 21,212,713</u>	<u>\$ 4,927,894</u>	<u>\$ 26,140,607</u>

**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, 2014 financial statements. The Agency has outstanding commitments at June 30, 2014 totaling \$3,382,292 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, 2014**

	Budget			
	Original	Final	Actual	Variance
<b>REVENUES:</b>				
Property taxes	\$ 3,354,100	\$ 3,354,100	\$ 3,771,424	\$ 417,324
Fines, interest and other	12,000	12,000	25,986	13,986
<b>TOTAL REVENUES</b>	<u>3,366,100</u>	<u>3,366,100</u>	<u>3,797,410</u>	<u>431,310</u>
<b>EXPENDITURES:</b>				
Personal services	79,480	79,480	51,283	28,197
Materials and services	182,624	182,624	99,714	82,910
Debt Service	1,584,335	1,584,335	1,584,335	-
Contingency	2,036,804	2,036,804	-	2,036,804
<b>TOTAL EXPENDITURES</b>	<u>3,883,243</u>	<u>3,883,243</u>	<u>1,735,333</u>	<u>2,147,911</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(517,143)</u>	<u>(517,143)</u>	<u>2,062,077</u>	<u>2,579,220</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sale of capital assets	160,000	160,000	-	(160,000)
Transfers out	(3,371,126)	(3,371,126)	(2,183,289)	1,187,837
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(3,211,126)</u>	<u>(3,211,126)</u>	<u>(2,183,289)</u>	<u>1,027,837</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(3,728,269)</u>	<u>(3,728,269)</u>	<u>(121,211)</u>	<u>3,607,058</u>
<b>FUND BALANCE</b> , beginning of year	<u>3,728,269</u>	<u>3,728,269</u>	<u>3,778,239</u>	<u>49,970</u>
<b>FUND BALANCE</b> , end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,657,028</u>	<u>\$ 3,657,028</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, 2014**

	Budget			
	Original	Final	Actual	Variance
<b>REVENUES:</b>				
Intergovernmental	\$ -	\$ 217,000	\$ 216,198	\$ (802)
Fines, interest and other	-	-	2,237	2,237
<b>TOTAL REVENUES</b>	-	217,000	218,435	1,435
<b>EXPENDITURES:</b>				
Personal services	167,218	167,218	85,319	81,899
Materials and services	105,796	105,796	87,313	18,483
Capital outlay	5,699,224	5,699,224	2,737,996	2,961,228
Contingency	1,209,953	1,426,953	-	1,426,953
<b>TOTAL EXPENDITURES</b>	7,182,191	7,399,191	2,910,628	4,488,563
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(7,182,191)	(7,182,191)	(2,692,193)	4,489,998
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	3,371,126	3,371,126	2,183,289	(1,187,837)
Proceeds from borrowing	2,601,112	2,601,112	-	(2,601,112)
<b>TOTAL OTHER FINANCING SOURCES (USES):</b>	5,972,238	5,972,238	2,183,289	(3,788,949)
<b>NET CHANGE IN FUND BALANCE</b>	(1,209,953)	(1,209,953)	(508,904)	701,049
<b>FUND BALANCE, beginning of year</b>	1,209,953	1,209,953	508,904	(701,049)
<b>FUND BALANCE, end of year</b>	\$ -	\$ -	\$ -	\$ -

**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, 2014**

<u>Fiscal Year</u>	<u>Receivable June 30, 2013</u>	<u>2013-2014 Levy</u>	<u>Interest, Discounts &amp; Adjustments</u>	<u>Collections</u>	<u>Receivable June 30, 2014</u>
2013-14	\$ -	\$ 3,891,961	\$ (112,133)	\$ (3,693,675)	\$ 86,153
2012-13	77,182	-	469	(44,052)	33,599
2011-12	36,916	-	2,843	(14,700)	25,059
2010-11	27,653	-	3,523	(14,047)	17,129
2009-10	17,581	-	428	(5,726)	12,283
2008-09	1,580	-	(80)	(673)	827
Prior Years	2,226	-	(222)	(579)	1,425
Total	<u>\$ 163,138</u>	<u>\$ 3,891,961</u>	<u>\$ (105,172)</u>	<u>\$ (3,773,452)</u>	<u>\$ 176,475</u>

## **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, Oregon)  
Sherwood, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements 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, 2014, and have issued our report thereon dated December 3, 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 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*.

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

Page 2

**OAR 162-10-0230 INTERNAL CONTROL**

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion(s) 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, if any, 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.

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

Lake Oswego, Oregon  
December 3, 2014