



*Home of the Tualatin River National Wildlife Refuge*

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015

**CITY OF SHERWOOD**

Sherwood, Oregon

Comprehensive Annual Financial Report

Year Ended June 30, 2015

Prepared by

City of Sherwood

Finance Department

# CITY OF SHERWOOD

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## **INTRODUCTORY SECTION**



Home of the Tualatin River National Wildlife Refuge

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

**Mayor**  
Krisanna Clark

**Council President**  
Jennifer Harris

**Councilors**  
Renee Brouse  
Linda Henderson  
Dan King  
Jennifer Kuiper  
Sally Robinson

**City Manager**  
Joseph Gall, ICMA-CM

**Assistant City Manager**  
Tom Pessemier



2009 Top Ten Selection



2007 18<sup>th</sup> Best Place to Live



January 29, 2016

Citizens of Sherwood  
Honorable Mayor  
Members of the City Council

It is my pleasure to present you with the Fiscal Year 2015 Comprehensive Annual Financial Report (CAFR). This report documents the financial position of the City as of June 30, 2015 and the financial results for the fiscal year that ended on that date. We believe that the information contained herein is accurate in all material respects and is presented in a manner that complies with financial reporting requirements.

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

We hereby issue this Comprehensive Annual Financial Report of the City of Sherwood for the fiscal year ended June 30, 2015. This report is statutorily required to be completed within six months of the end of the fiscal year unless an extension is authorized. An extension for this report has been granted through January 31, 2016.

This CAFR will be submitted to the Government Financial Officers Association for consideration for the Certificate of Achievement for Excellence in Financial Reporting. The Certificate is a national award that recognizes the thoroughness of the City's CAFR.

Management assumes full responsibility for the completeness and reliability of the information presented in this report, based upon a comprehensive framework of internal controls that it has established for this purpose. Because the cost of internal controls should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free from any material misstatements.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statement in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MDA begins on page 4 of the Financial Section of this report.

This report is the fifth of the City's annual reports to be audited by the firm of Talbot, Korvola & Warwick, LLP (TKW), a CPA firm licensed by the state of Oregon. They have issued an unmodified opinion on the City of Sherwood's financial statements for the fiscal year ended June 30, 2015. The independent auditor's report is located at the front of the Financial Section of this report, beginning on page 1.

## **REPORTING ENTITY**

The City of Sherwood is a city with a population of 19,080 located in Washington County, Oregon. It thrives in the same economic environment as the cities of Beaverton, Hillsboro, Tigard, Tualatin, and Wilsonville: a mixture of high tech and traditional industries, with agriculture and forest products continuing to play a critical role in the region's economy.

Sherwood was incorporated in 1893. It is governed by an elected City Council and Mayor, who in turn appoint a professional city manager to whom they delegate the administration of the City. The City provides law enforcement, public works, library, community services and community development to its citizens. Fire protection is provided by a separate special district.

The City created an Urban Renewal Agency in 2001 and the Agency has been responsible for over \$44.7 million in public improvements in blighted areas since its inception. The City Council serves as the Agency's board of directors and the Agency is reported as a blended component unit within the City's CAFR. The Agency uses tax increment revenues exclusively to fund its projects.

## **ECONOMIC ENVIRONMENT**

Sherwood continues to recover from the recession, resulting in an increase in development activity over the past year. Development is expected to continue over the next few years. The two main revenue sources for general government purposes are property taxes and franchise fees. Property taxes have slowly increased as new developments are added to the tax rolls and franchise fees continue to hold steady.

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

1. Sherwood has a low percentage of commercial and industrial properties. Under Oregon's property tax system, the assessed value of these property categories is prone to more dramatic annual changes than the residential property category.
2. Depending on the rate of decrease of Real Market Value, Oregon's property tax system buffers the impact of falling residential property values on imposed taxes. Property taxes are calculated on the lesser of two values: assessed value or real market value. Unlike many other Oregon communities, the assessed value of residential properties in Sherwood continues to lag the real market value.
3. No single employer dominates the list of Sherwood's largest taxpayers. While this tempers assessed value growth, this uniformity eliminates the risk of dependence on one employer for economic stability.
4. The City's economy is linked with that of the entire Portland/Vancouver Metropolitan Region, but is more insulated from economic downturns due to the high education and skill level of its population. From 2009 - 2013 Sherwood's Median Household Income (MHI) was \$78,355, 56% higher than the State Average at \$50,229, and 22% higher than Washington County at \$64,180. Sherwood is considered one of the more affluent communities in the State. The income bracket of \$100,000 - \$149,999 accounts for 24.2% of the households.

Table A shows the split between Sherwood's residential and non-residential property values and the gap between the assessed and market values. State law dictates that property taxes be assessed on the lower of the two. The large gap between the two (28%) is the cushion that keeps the City's tax receipts from falling.

Table A Current Tax Year (2014-15) Value Comparison (In Millions of Dollars)		
	Market Value	Assessed Value
Residential	\$ 1,710	\$ 1,266
Commercial/Industrial	355	217
All Other	280	202
Totals	<u>\$ 2,346</u>	<u>\$ 1,685</u>
The difference between Market and Assessed Values is \$660.9 million, or 28% of Market Value		
Source: Washington County Assessment and Taxation		

Table B Top 10 Property Owners Based on FY14-15 Assessed Value		
Taxpayer	Assessed Value	Percentage of Total Assessed Value
Portland General Electric	\$ 23,280,000	1.4%
MGP X Properties LLC	19,256,520	1.1%
Target Corporation	16,242,715	1.0%
Bir Sunfield, LLC	16,213,470	1.0%
Creekview Crossing SPE LLC	13,578,460	0.8%
Allied Systems Company	11,319,760	0.7%
Juniper Ridge Investments, LLC	10,904,570	0.6%
Home Depot	10,055,308	0.6%
FPWL Sherwood LLC	9,633,730	0.6%
Comcast Corp	9,546,700	0.6%
Total	<u>\$ 140,031,233</u>	<u>8.3%</u>
Source: Washington County Assessment and Taxation		

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



## CURRENT ECONOMIC DEVELOPMENT ACTIVITIES

**Cannery Property Projects:** The City, through its component unit, the Sherwood Urban Renewal Agency is in the final stages of a \$13 million transformation of what is called the Cannery Property. This is a 7-acre site in old town Sherwood that was the site of a long out-of-use cannery. The Urban Renewal Agency owns the property and broke ground in 2011 with road and plaza construction. The construction of the new Sherwood Arts Center that houses a theater and classrooms was completed in February 2015. These projects are being partially funded through a state economic development loan secured with the Urban Renewal Agency's tax increment financing funds, backed by a full faith and credit pledge of the City. Private development on the site completed construction of a 101 unit apartment complex that opened spring of 2014. The final piece of property that will be developed; most likely into a mixed use complex with retail shops on the bottom floor and apartments on the floors above has yet to be scheduled.

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

**Tonquin Employment Area:** The City has completed the preliminary planning for a new area of industrial and commercial development on the east side of town. This 296 acre site is within the urban growth boundary and awaits annexation into the City.

**Parkway Village at Sherwood:** This is an 189,000 square foot retail shopping center development on approximately 19 acres of a 55 acre site. The main anchor store of the shopping center opened in August of 2014, with the remaining retail stores continuing to fill in the remainder of the retail space, with a large restaurant scheduled to open.

**Sherwood Broadband:** The City is also nurturing and improving its wholly-owned internet broadband system, Sherwood Broadband. The system now serves several large and small employers in the region as well as providing all internet services for the City and the Sherwood School district. It has the capacity to serve the fiber optic needs of employers who choose to locate in Sherwood.

**Residential Growth:** The residential growth in Sherwood has been higher than most other cities in the State over the past 10 – 20 years. Available land for residential needs is quickly dwindling and with the failure of the Brookman annexation residential growth will slow down; instead the City will continue to see increased levels of infill as land availability becomes scarcer.

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

## CRITICAL FINANCIAL INFORMATION

**Budget:** The total City budget for FY16 is \$48 million. Only \$11.8 million (25%) of the revenue supporting the budget is available for general purposes. The remaining portion of the budget (\$36.2 million) is constrained by statute or loan covenants to specific purposes, primarily infrastructure construction and maintenance.

**Debt:** As of June 30, 2015, the City had outstanding general obligation debt of \$2.6 million and outstanding notes payable of \$43.6 million. Total debt was \$46.2 million. The General Obligation debt is repaid from dedicated, voter-approved property tax assessments. The notes payable debt is repaid from several sources: tax increment financing, utility user fees, and building lease revenue. In September of 2012, Moody's Investors Services affirmed the City's Aa3 rating on General Obligation Bonds and its A1 rating on Full Faith and Credit Obligations.

**Independent Audit:** The City's financial records are subject to annual audit by an independent accountant. This audit is conducted in accordance with generally accepted auditing standards, and Minimum Standards for Audits of Oregon Municipal Corporations as prescribed by the Oregon Secretary of State. The auditor must determine whether the City followed generally accepted accounting and reporting principles. The accounting firm of Talbot, Korvola & Warwick, LLP, of Lake Oswego Oregon, conducted the audit for the fiscal year ended June 30, 2015. Their report is found in the Financial Section of this report.

## **AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sherwood for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. This was the third consecutive year that the City of Sherwood has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget for fiscal year 2015-2016. This was the 13th consecutive year that the City has received this prestigious award. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide and a communications device.

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

We would also like to acknowledge the financial and organizational commitment of the City Council and Budget Committee to our continual pursuit of improved financial accountability.

Sincerely,



Joseph P. Gall, ICMA-CM  
City Manager



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Sherwood  
Oregon**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

## CITY OF SHERWOOD

### CITY OFFICIALS JUNE 30, 2015

<u>Name</u>	<u>MAYOR</u>	<u>Term End Date</u>
Krisanna Clark 23854 SW Aldergrove Avenue Sherwood, OR 97140		December 31, 2016

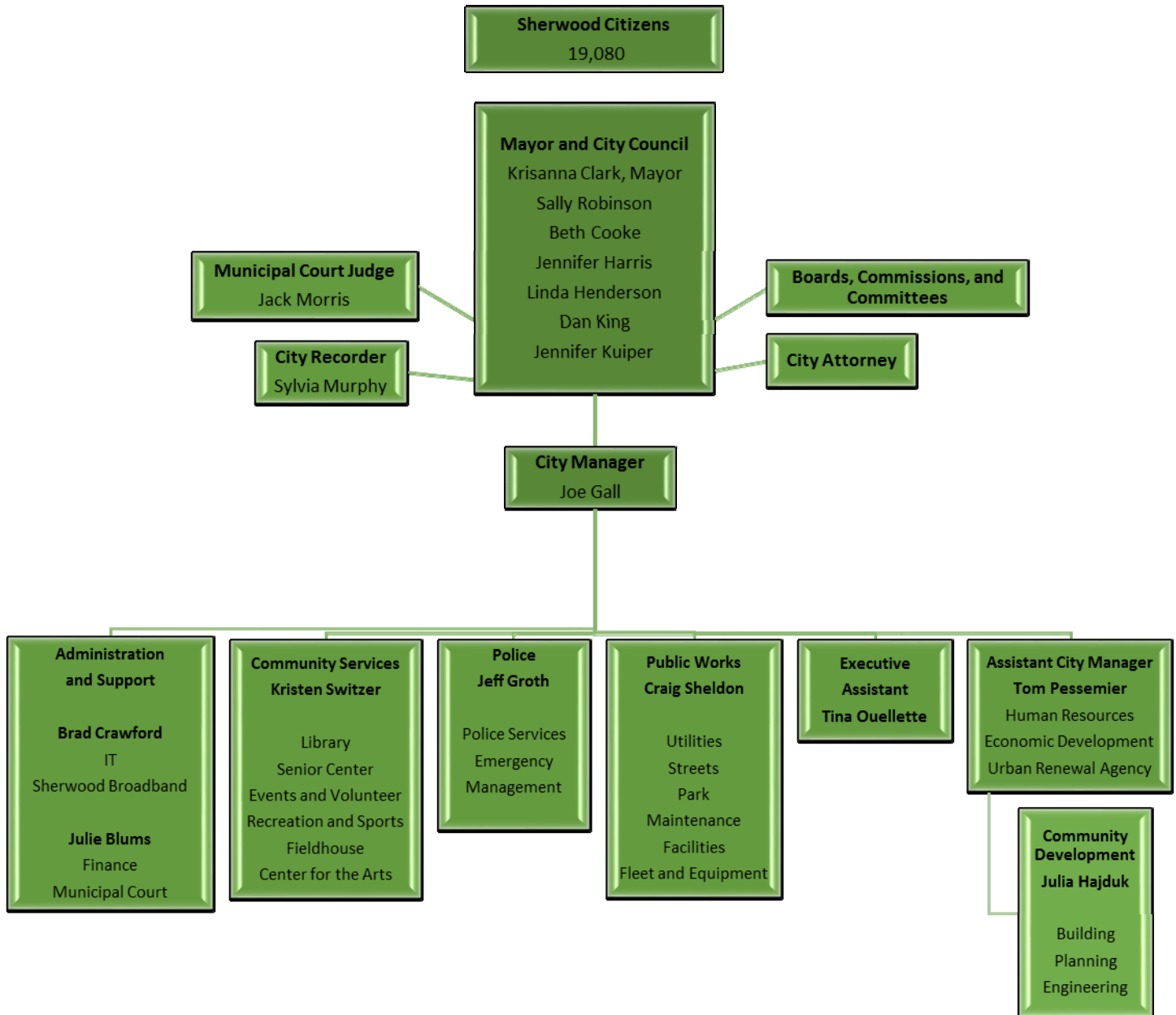
### CITY COUNCIL MEMBERS

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, City Manager

## 2015 CITY OF SHERWOOD ORGANIZATION CHART



## **FINANCIAL SECTION**

**INDEPENDENT AUDITOR'S REPORT**



**Talbot, Korvola  
& Warwick, LLP**

Certified Public Accountants  
& Consultants

**ACHIEVE MORE**

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

P 503.274.2849

F 503.274.2853

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

## **INDEPENDENT AUDITOR'S REPORT**

City Council  
City of Sherwood  
Sherwood, Oregon

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sherwood, Oregon (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

### **MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City'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, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



## **INDEPENDENT AUDITOR'S REPORT (Continued)**

City Council  
City of Sherwood, Oregon  
Page 2

### **EMPHASIS OF MATTERS**

As discussed in Note I to the financial statements, the City adopted the accounting requirements of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, which resulted in the restatement of previously reported amounts for the year ended June 30, 2014. Our opinions are not modified with respect to this matter.

As discussed in Note III to the financial statements, changes in benefit terms of the Oregon Public Employees Retirement System resulting from the April 30, 2015 Oregon Supreme Court decision are not reflected in the December 31, 2012 actuarial valuation used to measure pension amounts as of and for the fiscal year ended June 30, 2015.

### **OTHER MATTERS**

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

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Schedule of the Proportionate Share of the Net Pension Liability (Asset), Schedule of Plan Contributions, and Notes to Required Supplementary Information, 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 Required Supplementary Information 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 General Fund and major special revenue funds, listed in the Table of Contents as Required Supplementary Information, be presented to supplement the basic financial statements. Such information, although not 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 City's basic financial statements. The combining and individual fund statements, schedules, and other financial schedules, collectively presented as Other Supplementary Information, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic

## **INDEPENDENT AUDITOR'S REPORT (Continued)**

City Council  
City of Sherwood, Oregon  
Page 3

### **OTHER MATTERS (Continued)**

#### ***Other Supplementary Information (Continued)***

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.

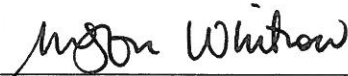
#### ***Other Information***

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

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

In accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated January 29, 2016, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

**TALBOT, KORVOLA & WARWICK, LLP**

By 

Angelique Whitlow, Partner

Lake Oswego, Oregon  
January 29, 2016

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## CITY OF SHERWOOD, OREGON

### MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

This section of the City of Sherwood's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015 presents the highlights of financial activities and illustrates the financial position of the City of Sherwood, Oregon ("the City") for the year ended June 30, 2015 ("FY15"). It has been prepared by management and should be read in conjunction with the financial statements and notes. To make this report easier to read, all dollar amounts have been rounded to the nearest million or thousand, as indicated.

#### 1. FINANCIAL HIGHLIGHTS

##### Government-Wide

- Total assets and deferred outflows of resources of the City exceed total liabilities and deferred inflows of resources at the close of FY15 by \$147 million (net position). Of this amount, \$9.8 million may be used to meet the City's ongoing obligations to its citizens and creditors (unrestricted net position). Sherwood's net position after the restatements increased by \$8.2 million (5.9%) during FY15.
- Current assets were \$27 million at the end of FY15. Of that amount, \$25 million (92.7%) of current assets were in cash and investments. Sherwood's assets decreased by \$4.5 million (14.3%) during FY15. The primary change is due to the use of cash for capital asset construction.
- Sherwood had capital and long-term assets (net of depreciation) of \$173.4 million at the end of FY15. Sherwood's capital and long-term assets increased by \$7.5 million (4.5%) during FY15. The primary reason for the increase is due to the construction of infrastructure and the new Center for the Arts and recognition of the net pension asset as a result of implementation of Government Accounting Standards Board (GASB) Statement Nos. 68 and 71.

##### Fund Level

- In the aggregate, the governmental funds' ending fund balance was \$9.8 million, a decrease of approximately \$3.9 million (29.4%) for the fiscal year.
- In the aggregate, the Proprietary funds' ending fund balance equivalent, *Net Position*, was \$77.8 million, an increase of \$5.2 million (7.2%) after restatement for the year.
- Total FY15 Property Tax revenue was \$9.1 million, a decrease of 1.0% from FY14 levels. This decrease is primarily due to a reduction in the amount levied for the Sherwood Urban Renewal Agency (URA). As the URA approaches its final years less tax revenue is required to meet the annual budgetary needs.

#### 2. OVERVIEW OF THE FINANCIAL STATEMENTS

This Discussion and Analysis serves as an introduction and summary of the City's basic financial statements. It is followed by the basic financial statements themselves, which are comprised of three elements; Government-Wide Financial Statements, Fund Financial Statements, and Notes to Basic Financial Statements.

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

# CITY OF SHERWOOD, OREGON

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) JUNE 30, 2015

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

**Government-Wide Financial Statements** The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies.

One way to evaluate the City's financial position is by measuring the City's net positions and how they change over time. Tables 1 and 2 do this. The Statement of Net Position (Table 1) includes the City's assets, deferred outflow of resources, liabilities, and deferred inflows of resources with the difference reported as *net position*. Over time, increases and decreases in net position may serve as a useful indicator of improvements or deterioration of the City's financial position.

The Statement of Activities (Table 2) presents all of the current year's revenues and expenses to show the source of the changes in net position. These two tables together show the City's net positions and how they have changed in the 12 months ended June 30, 2015.

Both of these statements are divided into two categories: *Governmental Activities* and *Proprietary activities*.

Governmental Activities include most of the City's basic services such as police, library, streets, community development, community services, and general administration. These are generally tax and fee supported functions.

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

### Statement of Net Position

Table 1 shows that the City's total net position increased from \$138.8 million as restated to \$147 million during FY15. This was an increase of \$8.2 million or 5.9%.

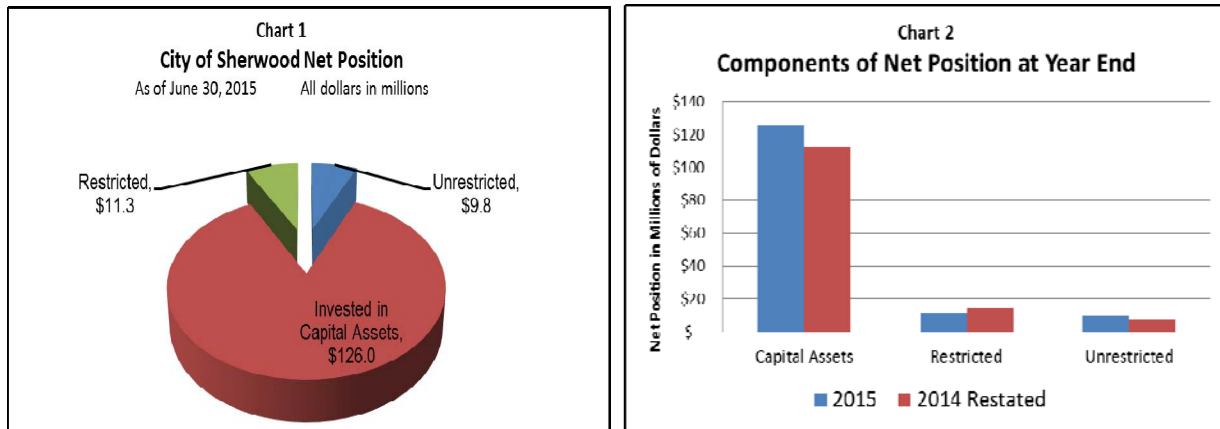
Table 1						
Sherwood's Net Position						
At Fiscal Year End (June 30, 2015 and 2014)						
In Millions of Dollars						
	Governmental Activities		Proprietary Activities		Total	
	2015	2014 (as restated)	2015	2014 (as restated)	2015	2014 (as restated)
<b>ASSETS:</b>						
Current assets	\$ 11.5	\$ 17.3	\$ 15.5	\$ 14.5	\$ 27.0	\$ 31.8
Net pension asset	1.6	(3.7)	0.2	(0.5)	1.8	(4)
Capital assets	84.2	81.4	87.4	83.2	171.6	164.6
<b>TOTAL ASSETS</b>	<b>97.3</b>	<b>95.0</b>	<b>103.1</b>	<b>97.3</b>	<b>200.5</b>	<b>192.2</b>
<b>DEFERRED OUTFLOWS</b>	<b>0.7</b>	<b>0.7</b>	<b>0.1</b>	<b>0.1</b>	<b>0.8</b>	<b>0.8</b>
<b>LIABILITIES:</b>						
Current liabilities	3.8	7.4	2.8	1.6	6.6	9.0
Long-term liabilities	21.8	22.0	22.3	23.2	44.1	45.2
<b>TOTAL LIABILITIES</b>	<b>25.6</b>	<b>29.4</b>	<b>25.1</b>	<b>24.8</b>	<b>50.7</b>	<b>54.2</b>
<b>DEFERRED INFLOWS</b>	<b>3.2</b>	<b>-</b>	<b>0.4</b>	<b>-</b>	<b>3.6</b>	<b>-</b>
<b>NET POSITION:</b>						
Net investment in capital assets	60.5	52.2	65.4	60.3	126.0	112.5
Restricted	6.7	10.2	4.6	4.5	11.2	14.7
Unrestricted	2.0	3.9	7.8	7.8	9.8	11.7
<b>TOTAL NET POSITION</b>	<b>\$ 69.2</b>	<b>\$ 66.3</b>	<b>\$ 77.8</b>	<b>\$ 72.6</b>	<b>\$ 147.0</b>	<b>\$ 138.8</b>

## CITY OF SHERWOOD, OREGON

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) JUNE 30, 2015

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

As Chart 1 below shows, the City's net investment in capital assets accounts for the majority of the City's net position. The City has invested \$126 million in land, buildings, equipment, and infrastructure (less depreciation and outstanding debt used to acquire those assets). The City uses these assets to provide services to its citizens so they are not assets that are available for future spending. Restricted net position (\$11.2 million) relates to amounts that are legally restricted for specific future obligations. Unrestricted net position (\$9.8 million) is available to meet the City's on-going obligations.



#### Statement of Activities

The Statement of Activities (Table 2) presents the changes in net position by detailing the revenues and expenses for the Fiscal Years 2015 and 2014. This information is broken into Governmental Activities and Proprietary Activities. Revenues and expenses are segregated by general categories (revenues) and programs (expenses). Highlights of increases and decreases of the year are as follows.

##### **Governmental Activities**

- Revenue decreased by a net of \$0.2 million (1%) primarily due to a decrease in Urban Renewal property tax revenue. Total expenses decreased \$2.1 million (11.3%) in FY15 mainly due to the reporting requirements of GASB Statement Nos. 68 and 71 related to pensions and a change made to payroll accruals.

##### **Proprietary Activities**

- Overall revenue increased from FY14 by \$1.9 million (19%).
  - Charges for services increased by \$0.7 million (10%) mainly in utility rate payer revenue.
  - Operating contributions decreased by \$1.8 million (100%) as the revenue in FY14 was a one-time only payment.
  - Capital contributions increased \$3.1 million (281.8%) due to increased development activity related to increased contributions of capital assets from developers.
- Expenses decreased by \$1.3 million (16.3%), mainly due to the completion of the last segment of the water transmission project to Wilsonville in FY14.

**CITY OF SHERWOOD, OREGON**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**JUNE 30, 2015**

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

Even with all the variances noted above, total revenue for FY15 exceeded total expenses by \$8.2 million boosting total net position to \$147 million at year end.

<b>Table 2</b> <b>Statement of Activities</b> For the Fiscal Years Ending (June 30, 2015 and 2014) <i>In Millions of Dollars</i>						
	<b>Governmental Activities</b>		<b>Proprietary Activities</b>		<b>Total</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Revenues</b>						
<u>Program Revenues</u>						
Charges for services	\$ 2.5	\$ 2.8	\$ 7.7	\$ 7.0	\$ 10.1	\$ 9.8
Operating grants/contributions	2.9	2.8	-	1.8	2.9	4.6
Capital grants/contributions	3.1	2.8	4.2	1.1	7.2	3.9
<u>General revenues</u>						
Property taxes	9.1	9.3	-	-	9.1	9.3
Franchise fees	1.5	1.6	-	-	1.5	1.6
Other general revenue	0.3	0.3	0.1	0.1	0.4	0.4
Total revenues	<u>19.4</u>	<u>19.6</u>	<u>11.9</u>	<u>10.0</u>	<u>31.3</u>	<u>29.6</u>
<b>Expenses</b>						
<u>Governmental Activities</u>						
Administration	2.4	3.0	-	-	2.4	3.0
Community development	2.8	2.4	-	-	2.8	2.4
Public safety	2.5	3.5	-	-	2.5	3.5
Community services	1.4	1.4	-	-	1.4	1.4
Public works	6.6	7.4	-	-	6.6	7.4
Interest on long-term debt	0.8	0.8	-	-	0.8	0.8
<u>Proprietary Activities</u>						
Water	-	-	4.9	6.1	4.9	6.1
Sanitary	-	-	0.6	0.6	0.6	0.6
Storm	-	-	0.9	1.1	0.9	1.1
Telecommunications	-	-	0.3	0.3	0.3	0.3
Total expenses	<u>16.5</u>	<u>18.6</u>	<u>6.7</u>	<u>8.0</u>	<u>23.1</u>	<u>26.6</u>
<b>Change in net position</b>	<b>2.9</b>	<b>1.0</b>	<b>5.2</b>	<b>2.0</b>	<b>8.2</b>	<b>2.9</b>
Net position, June 30, 2014 as originally stated	66.3	64.9	72.6	71.0	138.9	135.9
Restatement	-	0.4	-	(0.4)	-	-
Net position, June 30, 2014 as restated	<u>66.3</u>	<u>65.3</u>	<u>72.6</u>	<u>70.6</u>	<u>138.8</u>	<u>135.9</u>
<b>Ending Net Position</b>	<b>\$ 69.2</b>	<b>\$ 66.3</b>	<b>\$ 77.8</b>	<b>\$ 72.6</b>	<b>\$ 147.0</b>	<b>\$ 138.9</b>

**3. FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and accounting standards. While there are numerous ways of categorizing funds, for simplicity sake, this report will continue the format initiated above, using the *Governmental* activities and *Proprietary* activities split.

# CITY OF SHERWOOD, OREGON

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) JUNE 30, 2015

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

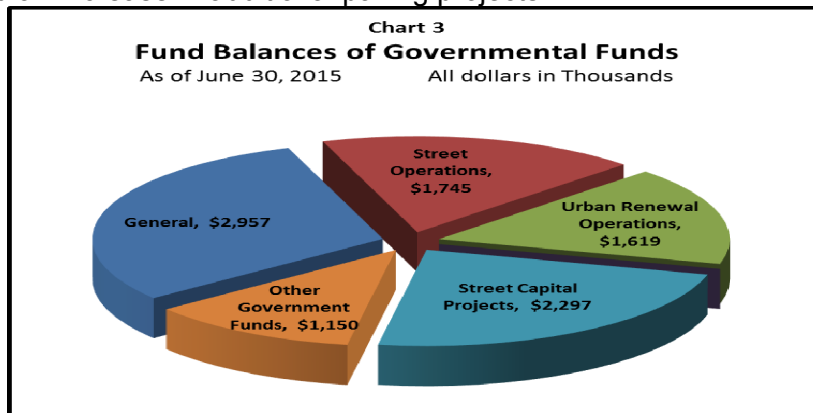
#### Government Funds in Total

The focus of the government funds is to provide information on near-term inflows, outflows, and fund balances of spendable resources for activities that are generally tax-supported. These funds focus on cash flow: how well does Sherwood balance revenues and the cost of service provision. This is different than the focus of the proprietary funds, which rely on user fees directly related to the provision of services. The focus of proprietary funds is on the long term sustainability of the functions, similar to the focus of private sector entities. Net position is the key indicator of that sustainability.

Ending fund balances for the Governmental Funds as restated decreased by \$3.9 million (29.4%).

<b>Table 3</b> <b>Government Funds: Changes in Fund Balance</b> Fiscal Year 2015							
	<i>On a Modified Accrual Basis</i>			<i>In Thousands of Dollars</i>			
	<b>General</b>	<b>Street Operations</b>	<b>Urban Renewal Operations</b>	<b>Urban Renewal Capital</b>	<b>Street Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Totals</b>
Fund Balances June 30, 2014 as Restated	\$ 3,614	\$ 1,621	\$ 3,653	\$ (4)	\$ 3,196	\$ 1,567	\$ 13,647
Change in Fund Balances	(656)	124	(2,034)	4	(899)	(417)	(3,878)
<b>Ending Fund Balances June 30, 2015</b>	<b>\$ 2,957</b>	<b>\$ 1,745</b>	<b>\$ 1,619</b>	<b>\$ -</b>	<b>\$ 2,297</b>	<b>\$ 1,150</b>	<b>\$ 9,768</b>

- The Urban Renewal Operations fund decreased 56% due to the use of fund balance for operational and capital projects.
- The Street Capital Fund decreased 28% due to the use of fund balance for infrastructure projects. In this fund revenue is generated and spent on projects, but not necessarily in the same fiscal year.
- The General Fund decreased 18% due to the use of fund balance for one-time capital related expenditures.
- The decrease in Other Governmental funds is mainly due to the use of fund balance for parks.
- The Street Operations Fund increased 8% mainly due to the allocation of resources in street operations and an increase in additional paving projects.





# CITY OF SHERWOOD, OREGON

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) JUNE 30, 2015

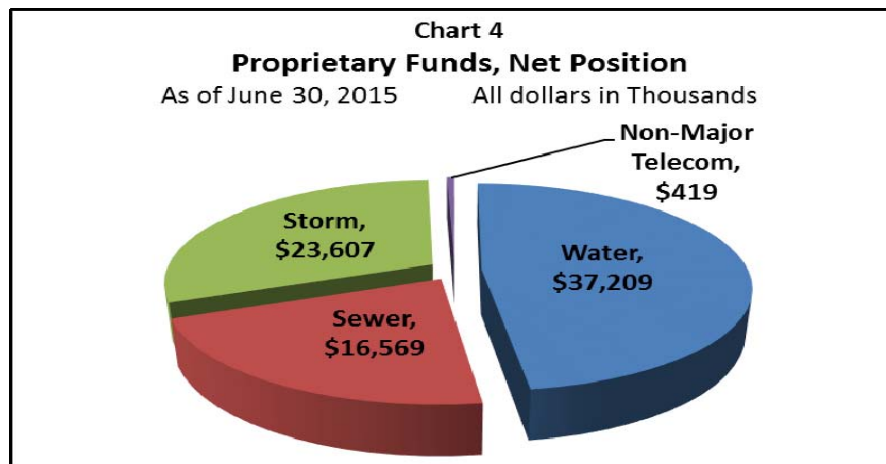
### 3. FINANCIAL ANALYSIS OF THE CITY'S FUNDS (Continued)

#### Proprietary Funds

Table 4 and Chart 4 show that ending net position for the proprietary funds ended the year at \$77.8 million, \$5.2 million (7.2%) higher than last year after restatement of beginning net position.

<b>Table 4</b> <b>Proprietary Funds, Changes in Net Position</b> <b>Fiscal Year 2015</b>					
	<i>On an Accrual Basis</i>		<i>In Thousands of Dollars</i>		
	<b>Water</b>	<b>Sewer</b>	<b>Storm</b>	<b>Non-Major</b>	<b>Totals</b>
Net position June 30, 2014 as originally stated	\$ 36,387	\$ 16,289	\$ 20,104	\$ 205	\$ 72,985
Restatement	(238)	(96)	(77)	(16)	(427)
Beginning net position as restated	36,150	16,193	20,027	189	72,558
Change in net position	1,059	376	3,581	230	5,246
<b>Net position June 30, 2015</b>	<b>\$ 37,209</b>	<b>\$ 16,569</b>	<b>\$ 23,607</b>	<b>\$ 419</b>	<b>\$ 77,804</b>

- Water – increase due to an increase in revenue from SDC's and utility rates and a decrease in capital construction.
- Sewer – increase due to an increase in revenue from SDC's.
- Storm – increase due to an increase in revenue from SDC's and a decrease in capital construction.
- Telecommunications –increase due to an increase in revenue from rate payers and a reduction of interfund loans payable to the General Fund.



# CITY OF SHERWOOD, OREGON

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) JUNE 30, 2015

### 4. GENERAL FUND BUDGETARY HIGHLIGHTS

**Original Budget Compared to Final Budget.** The General Fund budgetary schedule (on page 46) shows that the original budget appropriations were altered with an appropriation transfer resulting in a zero net change.

**Final Budget Compared to Actual Results.** The year-end fund balance was \$56 thousand lower than budgeted contingency with major variances as follows.

- Beginning fund balance was \$0.4 million higher than budgeted from savings from the prior fiscal year.
- Revenue came in under budget due to the timing of development activity, expenditure of grant reimbursed funds, and a change to the accruals of franchise fees.
- Expenses were also reduced to compensate for the reduced revenue.

The consistency of revenues and expenditures illustrates that the City has achieved its goal of financial stability and sustainability. The City has controlled expenditures and nurtured revenues to generate an increase in fund balance each year for the past six years. In FY15 the City Council made a decision to spend down a portion of fund balance on one-time expenditures to catch up on deferred capital asset costs. The fund balance decreased over this period to \$2.77 million.

### 5. CAPITAL ASSETS

Government wide, capital assets increased to \$171.6 million in FY15. This was an increase of \$7 million (4%).

Table 5							
Government Wide Capital Assets							
Net of Depreciation							
For the Fiscal Years Ending (June 30, 2015 and 2014)							
In Millions of Dollars							
	Governmental Activities		Proprietary Activities		Total		
	2015	2014	2015	2014	2015	2014	
	(as restated)				(as restated)		
Land	\$ 12.3	\$ 12.5	\$ 0.3	\$ 0.3	\$ 12.6	\$ 12.8	
Intangibles	5.9	5.8	2.9	1.5	8.8	7.4	
Construction In Progress	2.3	5.2	1.9	1.1	4.2	6.2	
Infrastructure	37.7	36.5	81.8	79.7	119.5	116.1	
Buildings & Improvements	25.2	20.6	-	-	25.2	20.6	
Machinery and Equipment	0.6	0.6	0.3	0.4	0.9	1.0	
Vehicles	0.3	0.3	0.3	0.2	0.6	0.5	
<b>Total Capital Assets</b>	<b>\$ 84.1</b>	<b>\$ 81.5</b>	<b>\$ 87.4</b>	<b>\$ 83.2</b>	<b>\$ 171.8</b>	<b>\$ 164.5</b>	
Accumulated Depreciation	\$ 51.0	\$ 45.5	\$ 11.9	\$ 10.8	\$ 62.9	\$ 56.2	

## CITY OF SHERWOOD, OREGON

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) JUNE 30, 2015

#### 5. CAPITAL ASSETS (Continued)

Major changes to capital assets, net of depreciation of \$7 million are as follows:

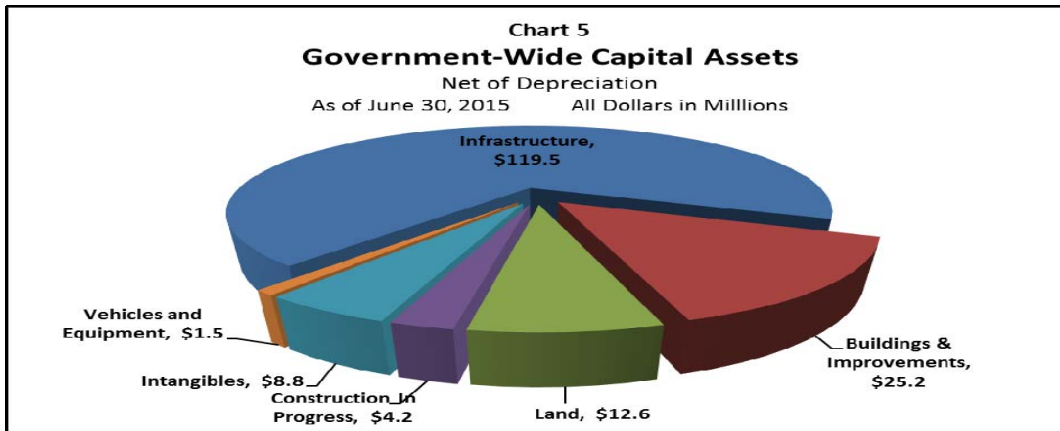
##### Governmental Activities

- Center for the Arts, \$3.8 million
- Street paving projects, \$2.7 million
- Contributed infrastructure from Private developers, \$2.5 million

##### Proprietary Activities

- Contributed infrastructure from Private developers, \$4 million
- Stormwater projects, \$1 million

Chart 5 shows the allocation of Capital Assets by category. Intangible assets are easements donated to and purchased by the City for right-of-way uses. Additional information regarding capital assets may be found in Note II.C.



#### 6. DEBT OUTSTANDING

On June 30, 2015, the City had a long-term debt obligations of \$46.2 million. Of this amount, \$2.6 million will be serviced by dedicated property taxes and \$20.2 million will be serviced by tax increment revenues. \$23.3 million is categorized as full faith and credit obligations, but is being serviced from building rents, systems development charges, and utility rate revenue.

Outstanding Debt decreased by the principal payments made on debt in FY15. Additional information regarding the City's long-term obligations may be found in Note II.D. of the Notes to Basic Financial Statements.

<b>Table 6</b> <b>Outstanding Debt at Fiscal Year End</b> For the Fiscal Years Ending (June 30, 2015 and 2014) <i>In Millions of Dollars</i>						
	<b>Governmental Activities</b>		<b>Proprietary Activities</b>		<b>Total</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Full Faith and Credit	\$ 0.4	\$ 0.5	\$ 23.0	\$ 23.9	\$ 23.3	\$ 24.4
General Obligation Bonds	2.6	3.4	-	-	2.6	3.4
Tax Increment Revenue	20.2	21.2	-	-	20.2	21.2
Capital Leases	0.0	0.1	-	-	0.0	0.1
<b>Total Outstanding Debt</b>	<b>\$ 23.3</b>	<b>\$ 25.2</b>	<b>\$ 23.0</b>	<b>\$ 23.9</b>	<b>\$ 46.2</b>	<b>\$ 49.1</b>

## **CITY OF SHERWOOD, OREGON**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) JUNE 30, 2015**

#### **7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The primary economic factor influencing the City of Sherwood budget is growth. Current and foreseeable future growth has increased having a moderate impact on the City's revenue. Fiscal year 2015-16 property tax receipts are projected to be slightly higher than last year's as new properties are added to the tax rolls. The other General Fund revenue sources are expected to continue with the trend of minimal annual increases. These increases in General Fund revenue have been forecast in next year's budget.

The fees required to support the City's proprietary activities have been updated in the Water Fund and SDC and Rate Studies are in process for the Sewer, Storm, and Street funds.

Management has budgeted a 0.4% decrease in materials and services costs for the FY16 budget.

Personnel services costs are projected to increase by about 9.5%. This increase is based on known retirement system contribution costs, estimated costs of merit increases and cost-of-living adjustments and an anticipated increase in the cost of medical insurance. Additional staffing has been added for FY16 to manage the increase in demand for service.

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

#### **8. FINANCIAL CONTACT**

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

## **BASIC FINANCIAL STATEMENTS**

**CITY OF SHERWOOD**

Sherwood, Oregon

**STATEMENT OF NET POSITION  
JUNE 30, 2015**

	Governmental Activities	Proprietary Activities	Total
<b>ASSETS:</b>			
Cash and investments	\$ 3,479,454	\$ 9,166,245	\$ 12,645,699
Restricted cash	6,704,829	5,692,047	12,396,876
Receivables, net	1,111,881	871,563	1,983,444
Internal balances	179,874	(179,874)	-
Net pension asset	1,648,158	224,182	1,872,340
Capital assets:			
Land, improvements and construction in progress	20,396,023	5,049,408	25,445,431
Other capital assets, net	63,756,601	82,371,987	146,128,588
<b>TOTAL ASSETS</b>	<b>97,276,820</b>	<b>103,195,558</b>	<b>200,472,378</b>
<b>DEFERRED OUTFLOWS - PENSION</b>	<b>672,029</b>	<b>91,410</b>	<b>763,439</b>
<b>LIABILITIES:</b>			
Accounts payable	370,677	1,180,841	1,551,518
Payroll payable	569,935	78,967	648,902
Other liabilities	363,612	323,825	687,437
Accrued interest	232,252	258,602	490,854
Long-term obligations:			
Due within one year	2,227,942	936,769	3,164,711
Due in more than one year	21,815,931	22,271,205	44,087,136
<b>TOTAL LIABILITIES</b>	<b>25,580,349</b>	<b>25,050,209</b>	<b>50,630,558</b>
<b>DEFERRED INFLOWS - PENSION</b>	<b>3,180,279</b>	<b>432,583</b>	<b>3,612,862</b>
<b>NET POSITION:</b>			
Net investment in capital assets	60,544,602	65,421,547	125,966,149
Restricted			
Capital assets	6,641,181	4,557,700	11,198,881
Unrestricted	2,002,438	7,824,929	9,827,367
<b>TOTAL NET POSITION</b>	<b>\$ 69,188,221</b>	<b>\$ 77,804,176</b>	<b>\$ 146,992,397</b>

See notes to basic financial statements.

# CITY OF SHERWOOD

Sherwood, Oregon

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

ACTIVITIES	Program Revenues				Net Revenue (Expense) and Change in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Proprietary Activities	Totals
<b>Primary government:</b>							
Governmental activities:							
Administration	\$ 2,399,680	\$ 1,066,290	\$ 538,771	\$ -	\$ (794,619)	\$ -	\$ (794,619)
Community Development	2,729,712	446,008	108,382	3,075,352	900,030	-	900,030
Public Safety	2,533,941	17,037	86,020	-	(2,430,884)	-	(2,430,884)
Community Services	1,369,635	313,096	768,507	-	(288,032)	-	(288,032)
Public Works	6,586,383	616,609	1,385,806	-	(4,583,968)	-	(4,583,968)
Interest on long-term obligations	817,135	-	-	-	(817,135)	-	(817,135)
Total governmental activities	16,436,486	2,459,040	2,887,486	3,075,352	(8,014,608)	-	(8,014,608)
Proprietary activities:							
Water	4,891,188	4,839,176	-	1,067,259	-	1,015,247	1,015,247
Sewer	628,522	599,113	-	384,949	-	355,540	355,540
Storm	875,105	1,727,594	-	2,714,899	-	3,567,388	3,567,388
Telecommunications	257,755	487,387	-	-	-	229,632	229,632
Total proprietary activities	6,652,570	7,653,270	-	4,167,107	-	5,167,807	5,167,807
<b>Total</b>	<b>\$ 23,089,056</b>	<b>\$ 10,112,310</b>	<b>\$ 2,887,486</b>	<b>\$ 7,242,459</b>	<b>(8,014,608)</b>	<b>5,167,807</b>	<b>(2,846,801)</b>
<b>GENERAL REVENUES</b>							
Property taxes					9,133,876	-	9,133,876
Franchise taxes and fees					1,544,203	-	1,544,203
Unrestricted interest earnings					68,893	78,211	147,104
Miscellaneous					230,509	-	230,509
<b>Total General Revenues</b>					10,977,481	78,211	11,055,692
<b>CHANGE IN NET POSITION</b>					2,962,873	5,246,018	8,208,891
<b>NET POSITION, June 30, 2014 as originally stated</b>					65,885,032	72,985,224	138,870,256
Restatement					340,316	(427,066)	(86,750)
<b>NET POSITION, June 30, 2014 as restated</b>					66,225,348	72,558,158	138,783,506
<b>NET POSITION, June 30, 2015</b>					<b>\$ 69,188,221</b>	<b>\$ 77,804,176</b>	<b>\$ 146,992,397</b>

See notes to basic financial statements.

**CITY OF SHERWOOD**

Sherwood, Oregon

**GOVERNMENTAL FUNDS BALANCE SHEET  
JUNE 30, 2015**

	General Fund	Street Operations Fund	Urban Renewal Operations Fund	Urban Renewal Capital Fund	Street Capital Fund	Other Nonmajor Governmental Funds	Totals
<b>ASSETS:</b>							
Cash and investments	\$ 3,174,184	\$ -	\$ -	\$ -	\$ -	\$ 305,270	\$ 3,479,454
Restricted cash	138,653	1,661,450	1,746,240	-	2,299,606	858,880	6,704,829
Receivables	732,917	155,799	177,089	-	3,261	42,815	1,111,881
Interfund loan receivable	179,874	-	-	-	-	-	179,874
<b>TOTAL ASSETS</b>	<b>\$ 4,225,628</b>	<b>\$ 1,817,249</b>	<b>\$ 1,923,329</b>	<b>\$ -</b>	<b>\$ 2,302,867</b>	<b>\$ 1,206,965</b>	<b>\$ 11,476,038</b>
<b>LIABILITIES:</b>							
Accounts payable	\$ 312,496	\$ 36,727	\$ 17,163	\$ -	\$ 4,291	\$ -	\$ 370,677
Payroll payable	539,769	20,592	7,939	-	1,635	-	569,935
Other current liabilities	207,522	15,423	123,608	-	-	17,059	363,612
<b>TOTAL LIABILITIES</b>	<b>1,059,787</b>	<b>72,742</b>	<b>148,710</b>	<b>-</b>	<b>5,926</b>	<b>17,059</b>	<b>1,304,224</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>							
Unavailable revenue - property taxes	208,450	-	155,359	-	-	39,692	403,501
<b>FUND BALANCES:</b>							
Nonspendable in form	179,874	-	-	-	-	-	179,874
Restricted for:							
Capital projects	138,653	-	1,619,260	-	2,296,941	841,821	4,896,675
Street maintenance	-	1,744,507	-	-	-	-	1,744,507
Committed to:							
Capital projects	-	-	-	-	-	319,008	319,008
Assigned to:							
Cultural arts	343	-	-	-	-	-	343
Unassigned	2,638,521	-	-	-	-	(10,615)	2,627,906
<b>TOTAL FUND BALANCES</b>	<b>2,957,391</b>	<b>1,744,507</b>	<b>1,619,260</b>	<b>-</b>	<b>2,296,941</b>	<b>1,150,214</b>	<b>9,768,313</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 4,225,628</b>	<b>\$ 1,817,249</b>	<b>\$ 1,923,329</b>	<b>\$ -</b>	<b>\$ 2,302,867</b>	<b>\$ 1,206,965</b>	<b>\$ 11,476,038</b>

See notes to basic financial statements.



**CITY OF SHERWOOD**

Sherwood, Oregon

**RECONCILIATION OF GOVERNMENTAL FUNDS  
BALANCE SHEET TO STATEMENT OF NET POSITION  
JUNE 30, 2015****TOTAL FUND BALANCE** **\$ 9,768,313**

Total net position shown in the Statement of Net Position is different because:

Capital assets are not financial resources for budgetary purposes and therefore are not reported in the governmental funds.

Cost	\$ 135,114,234	
Accumulated depreciation	<u>(50,961,611)</u>	84,152,624

A portion of the City's receivables are collected after year-end but they are not collected soon enough to be available as financial resources for the current year. The revenues related to these receivables are unavailable and not reported in the governmental funds.	403,501
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Deferred inflows - pension	(3,180,279)
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Deferred outflows - pension	672,029
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Compensated absences not payable in the current year are not recorded as governmental fund liabilities.	(435,851)
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Long-term assets, are not reported as governmental fund assets and liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expense when it is due. These long-term assets and liabilities consist of:

Pension asset	\$ 1,648,158	
Bonds and notes payable	(23,239,384)	
Capital leases	(20,933)	
Premium on bonds	(347,705)	
Accrued interest payable	<u>(232,252)</u>	(22,192,116)

**TOTAL NET POSITION** **\$ 69,188,221**

See notes to basic financial statements.

**CITY OF SHERWOOD**  
Sherwood, Oregon

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund	Street Operations Fund	Urban Renewal Operations Fund	Urban Renewal Capital Fund	Street Capital Fund	Other Nonmajor Governmental Funds	Totals
<b>REVENUES:</b>							
Property Taxes	\$ 4,808,642	\$ -	\$ 3,474,465	\$ -	\$ -	\$ 872,146	\$ 9,155,253
Franchises and fees	1,544,203	-	-	-	-	-	1,544,203
Intergovernmental	1,712,510	1,154,815	-	16,900	3,261	-	2,887,486
Charges for services	734,337	602,113	-	-	54,195	21,037	1,411,682
Infrastructure development fees	157,697	5,970	-	-	201,507	179,552	544,726
Fines and forfeitures	1,047,358	-	-	-	-	-	1,047,358
Interest on investments	21,248	8,581	15,110	-	15,242	8,712	68,893
Miscellaneous	224,157	5,350	-	-	1,000	-	230,507
<b>TOTAL REVENUES</b>	<b>10,250,152</b>	<b>1,776,829</b>	<b>3,489,575</b>	<b>16,900</b>	<b>275,205</b>	<b>1,081,447</b>	<b>16,890,108</b>
<b>EXPENDITURES:</b>							
Current:							
Administration	2,465,851	-	132,340	-	-	-	2,598,191
Community development	1,424,929	-	-	-	-	-	1,424,929
Public safety	3,379,100	-	-	-	-	-	3,379,100
Community services	1,441,834	-	-	-	-	-	1,441,834
Public works	1,611,590	1,008,047	-	-	-	193,271	2,812,908
Noncurrent							
Capital Outlay	463,445	647,754	-	4,000,985	1,010,859	525,197	6,648,240
Debt service - principal	122,430	-	968,378	-	-	822,570	1,913,378
Debt service - interest	17,149	-	616,863	-	-	120,357	754,369
<b>TOTAL EXPENDITURES</b>	<b>10,926,328</b>	<b>1,655,801</b>	<b>1,717,581</b>	<b>4,000,985</b>	<b>1,010,859</b>	<b>1,661,395</b>	<b>20,972,949</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(676,176)</b>	<b>121,028</b>	<b>1,771,994</b>	<b>(3,984,085)</b>	<b>(735,654)</b>	<b>(579,948)</b>	<b>(4,082,841)</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceeds from sale of capital assets	19,936	2,500	182,064	-	-	-	204,500
Transfers in	-	-	-	3,988,201	-	163,299	4,151,500
Transfers out	-	-	(3,988,201)	-	(163,299)	-	(4,151,500)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>19,936</b>	<b>2,500</b>	<b>(3,806,137)</b>	<b>3,988,201</b>	<b>(163,299)</b>	<b>163,299</b>	<b>204,500</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(656,240)</b>	<b>123,528</b>	<b>(2,034,143)</b>	<b>4,116</b>	<b>(898,953)</b>	<b>(416,649)</b>	<b>(3,878,341)</b>
<b>FUND BALANCE</b> , June 30, 2014 originally stated	3,881,578	1,548,453	3,657,028	-	3,201,383	1,567,849	13,856,291
Restatement	(267,946)	72,526	(3,626)	(4,116)	(5,489)	(986)	(209,637)
<b>FUND BALANCE</b> , June 30, 2014 as restated	<b>3,613,631</b>	<b>1,620,979</b>	<b>3,653,402</b>	<b>(4,116)</b>	<b>3,195,894</b>	<b>1,566,863</b>	<b>13,646,653</b>
<b>FUND BALANCES</b> , June 30, 2015	<b>\$ 2,957,391</b>	<b>\$ 1,744,507</b>	<b>\$ 1,619,259</b>	<b>\$ -</b>	<b>\$ 2,296,941</b>	<b>\$ 1,150,214</b>	<b>\$ 9,768,312</b>

See notes to basic financial statements.

**CITY OF SHERWOOD**  
Sherwood, Oregon

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** **\$ (3,878,341)**

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

Governmental funds report capital assets additions as expenditures while  
governmental activities report depreciation expense to allocate those expenditures  
over the life of the assets. The difference between these two amounts is:

Expenditures capitalized	\$ 6,209,408	
Depreciation	<u>(5,437,399)</u>	772,009

Contributions of capital assets are not recorded as revenues in the fund statements		2,530,626
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Loss on disposal of capital assets not reported in the fund statements		(558,169)
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Receivables that do not meet the measurable and available criteria are not recognized as revenue in the current year in governmental funds. In the Statement of Activities they are recognized as revenue when levied or earned.		(21,379)
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Principal payments on long-term obligations are expenditures in the governmental funds,  
but reduce long-term liabilities in the Statement of Net Position.

Premium on bonds	42,356	
Principal on capital lease	58,744	
Principal on bonds and notes	<u>1,913,378</u>	2,014,478

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

Pension expense	2,164,668	
Accrued interest	(62,765)	
Compensated absences	<u>1,746</u>	<u>2,103,649</u>

**CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 2,962,873**

See notes to basic financial statements.

**CITY OF SHERWOOD**

Sherwood, Oregon

**ENTERPRISE FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2015**

	Water	Sewer	Storm	Non-major	Totals
<b>ASSETS:</b>					
Current assets:					
Cash and investments	\$ 5,419,110	\$ 1,130,720	\$ 2,465,729	\$ 150,686	\$ 9,166,245
Restricted cash	2,605,596	2,764,199	322,252	-	5,692,047
Receivables, net	480,753	234,554	138,838	17,418	871,563
Total current assets	8,505,459	4,129,473	2,926,819	168,104	15,729,855
Noncurrent assets:					
Net pension asset	110,458	45,570	61,528	6,626	224,182
Capital assets:					
Land, improvements and construction in progress	431,908	2,105,836	2,511,664	-	5,049,408
Other capital assets, net	52,138,760	11,313,690	18,478,195	441,342	82,371,987
Total capital assets	52,570,668	13,419,526	20,989,859	441,342	87,421,395
<b>TOTAL ASSETS</b>	<b>61,186,585</b>	<b>17,594,569</b>	<b>23,978,206</b>	<b>616,072</b>	<b>103,375,432</b>
<b>DEFERRED OUTFLOWS:</b>					
Pension	45,039	18,581	25,088	2,702	91,410
<b>LIABILITIES:</b>					
Current liabilities:					
Accounts payable	278,444	707,146	191,583	3,668	1,180,841
Payroll payable	33,503	21,224	23,260	980	78,967
Other current liabilities	67,096	213,920	42,810	-	323,825
Current portion of long-term obligations	922,302	5,496	7,884	1,087	936,769
Accrued interest payable	258,602	-	-	-	258,602
Interfund loan payable	-	-	-	179,874	179,874
Total current liabilities	1,559,947	947,786	265,537	185,609	2,958,878
Long-term liabilities	22,249,505	8,243	11,826	1,631	22,271,205
<b>TOTAL LIABILITIES</b>	<b>23,809,452</b>	<b>956,029</b>	<b>277,363</b>	<b>187,240</b>	<b>25,230,083</b>
<b>DEFERRED INFLOWS:</b>					
Pension	213,140	87,932	118,725	12,786	432,583
<b>NET POSITION:</b>					
Net investment in capital assets	30,570,820	13,419,526	20,989,859	441,342	65,421,547
Restricted for capital improvements	1,471,249	2,764,199	322,252	-	4,557,700
Unrestricted	5,166,963	385,464	2,295,095	(22,594)	7,824,928
<b>TOTAL NET POSITION</b>	<b>\$ 37,209,032</b>	<b>\$ 16,569,189</b>	<b>\$ 23,607,206</b>	<b>\$ 418,748</b>	<b>\$ 77,804,176</b>

See notes to basic financial statements.

**CITY OF SHERWOOD**

Sherwood, Oregon

**ENTERPRISE FUNDS****STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
FOR YEAR ENDED JUNE 30, 2015**

	Water	Sewer	Storm	Non-major	Totals
<b>OPERATING REVENUES:</b>					
Charges for services	\$ 4,839,176	\$ 599,113	\$ 1,727,594	\$ 487,387	\$ 7,653,270
<b>OPERATING EXPENSES:</b>					
Personnel services	441,822	173,462	200,598	21,775	837,657
Materials and services	2,748,164	278,202	466,663	211,688	3,704,717
Depreciation	754,078	176,858	207,844	22,651	1,161,431
<b>TOTAL OPERATING EXPENSES</b>	<b>3,944,064</b>	<b>628,522</b>	<b>875,105</b>	<b>256,114</b>	<b>5,703,805</b>
<b>OPERATING INCOME (LOSS)</b>	<b>895,112</b>	<b>(29,409)</b>	<b>852,489</b>	<b>231,273</b>	<b>1,949,465</b>
<b>NONOPERATING INCOME (EXPENSE):</b>					
System development fees	163,508	16,635	7,652	-	187,795
Interest expense	(947,124)	-	-	(1,641)	(948,765)
Interest earnings	44,020	20,450	13,243	498	78,211
<b>TOTAL NONOPERATING INCOME (EXPENSE)</b>	<b>(739,596)</b>	<b>37,085</b>	<b>20,895</b>	<b>(1,143)</b>	<b>(682,759)</b>
<b>INCOME BEFORE CONTRIBUTIONS</b>	<b>155,516</b>	<b>7,676</b>	<b>873,384</b>	<b>230,130</b>	<b>1,266,706</b>
<b>CONTRIBUTIONS:</b>					
Capital contributions	903,751	368,314	2,707,247	-	3,979,312
<b>CHANGE IN NET POSITION</b>	<b>1,059,267</b>	<b>375,990</b>	<b>3,580,631</b>	<b>230,130</b>	<b>5,246,018</b>
<b>NET POSITION, June 30, 2014 as originally reported</b>	<b>36,387,488</b>	<b>16,289,009</b>	<b>20,103,789</b>	<b>204,938</b>	<b>72,985,224</b>
Restatement	(237,722)	(95,809)	(77,215)	(16,320)	(427,066)
<b>NET POSITION, June 30, 2014 as restated</b>	<b>36,149,766</b>	<b>16,193,200</b>	<b>20,026,574</b>	<b>188,618</b>	<b>72,558,158</b>
<b>NET POSITION, June 30, 2015</b>	<b>\$ 37,209,032</b>	<b>\$ 16,569,189</b>	<b>\$ 23,607,206</b>	<b>\$ 418,748</b>	<b>\$ 77,804,176</b>

See notes to basic financial statements.

**CITY OF SHERWOOD**

Sherwood, Oregon

**ENTERPRISE FUNDS  
STATEMENT OF CASH FLOWS  
JUNE 30, 2015**

	Water	Sewer	Storm	Non-major	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from customers	\$ 4,649,688	\$ 586,493	\$ 1,706,699	\$ 480,354	\$ 7,423,234
Payments to suppliers	(2,542,155)	440,435	(246,851)	(208,024)	(2,556,595)
Payments to employees	(585,412)	(225,995)	(282,988)	(33,010)	(1,127,405)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<u>1,522,120</u>	<u>800,933</u>	<u>1,176,860</u>	<u>239,319</u>	<u>3,739,232</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Acquisition of capital assets	(136,721)	(293,816)	(956,864)	-	(1,387,401)
System development charges	163,508	16,635	7,652	-	187,795
Principal paid on long-term obligations	(879,843)	-	-	(148,359)	(1,028,202)
Interest paid on long-term obligations	(957,825)	-	-	(1,641)	(959,466)
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(1,810,881)</u>	<u>(277,181)</u>	<u>(949,212)</u>	<u>(150,000)</u>	<u>(3,187,274)</u>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>					
Interest earnings	<u>44,020</u>	<u>20,450</u>	<u>13,243</u>	<u>498</u>	<u>78,211</u>
<b>NET INCREASE (DECREASE) IN CASH AND INVESTMENTS</b>	(244,741)	544,202	240,891	89,817	630,169
<b>CASH AND INVESTMENTS, beginning of year</b>	<u>8,269,447</u>	<u>3,350,717</u>	<u>2,547,090</u>	<u>60,869</u>	<u>14,228,123</u>
<b>CASH AND INVESTMENTS, end of year</b>	<u><u>\$ 8,024,706</u></u>	<u><u>\$ 3,894,919</u></u>	<u><u>\$ 2,787,981</u></u>	<u><u>\$ 150,686</u></u>	<u><u>\$ 14,858,292</u></u>
<b>RECONCILIATION TO THE STATEMENT OF NET POSITION</b>					
Operating income (loss)	\$ 895,112	\$ (29,409)	\$ 852,489	\$ 231,273	\$ 1,949,465
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	754,078	176,858	207,844	22,651	1,161,431
Pension expense (income)	(145,074)	(59,851)	(80,810)	(8,703)	(294,438)
Decrease (increase) in assets:					
Receivables, net	(189,488)	(12,620)	(20,895)	(7,033)	(230,036)
Increase (decrease) in liabilities:					
Accounts payable	193,322	707,146	191,583	3,664	1,095,715
Payroll payable	(1,502)	9,047	(2,401)	(3,178)	1,966
Compensated absences payable	2,986	(1,729)	821	645	2,723
Other current liabilities	12,687	11,491	28,229	-	52,407
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<u><u>\$ 1,522,120</u></u>	<u><u>\$ 800,933</u></u>	<u><u>\$ 1,176,860</u></u>	<u><u>\$ 239,319</u></u>	<u><u>\$ 3,739,232</u></u>

See notes to basic financial statements.

**NOTES TO BASIC FINANCIAL STATEMENTS**

## **CITY OF SHERWOOD, OREGON**

### **NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015**

#### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **A. Reporting entity**

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

The accompanying financial statements present the City and its component unit. The City of Sherwood Urban Renewal Agency (URA) was formed July 1, 2001, and is a legally separate entity. The Sherwood City Council serves as the Board of Directors for the URA, and is financially accountable for its operations. The URA is included as a component unit in the basic financial statements, blended with the City. Financial statements of the City of Sherwood Urban Renewal Agency may be obtained from the agency's administrative offices at 22560 SW Pine St., Sherwood, Oregon 97140.

##### **B. Basic financial statements**

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize activities as either governmental or proprietary. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from proprietary activities, which rely to a significant extent on fees and charges for support.

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are combined into a single column in the basic financial statements and are detailed in the supplementary information.

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures/expenses.



## CITY OF SHERWOOD, OREGON

### NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2015

#### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### B. Basic financial statements (Continued)

Professional standards set forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses, or either fund category or the governmental and enterprise combined) for the determination of major funds. The City may also elect to add major funds that City officials believe are particularly useful to financial statement users. Non-major funds are combined in a column in the fund financial statements and detailed as other supplementary information in the financial report.

##### Governmental Funds:

Governmental funds finance most governmental functions of the City. The acquisition, use and balances of the City's expendable financial resources and the related liabilities, excluding those accounted for in proprietary funds, are accounted for through governmental funds. The following are the City's major governmental funds:

*General:* The General Fund is the primary operating fund. It accounts for financial resources not accounted for in other funds. Costs incurred on behalf of other funds initially recorded in the General Fund are then subsequently reimbursed by the funds benefiting from the expenditure.

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

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

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

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

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

*Capital projects:* Fund type used to account for financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets.

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

##### Proprietary Funds:

Proprietary funds are used to account for the acquisition, operation and maintenance of sewer, storm drainage, water systems, and telecommunications services in the City. These funds are entirely or predominantly self-supported through user charges to customers. The following are the City's major proprietary funds:

## **CITY OF SHERWOOD, OREGON**

### **NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2015**

#### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **B. Basic financial statements (Continued)**

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

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

- Telecommunications Fund — The Telecommunications fund accounts for the City's telecommunications utility.

##### **C. Measurement focus and basis of accounting**

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded.

The government-wide and proprietary fund financial statements are presented on a full accrual basis of accounting with an economic resource measurement focus. An economic resource focus concentrates on an entity or fund's net position. All transactions and events that affect the total economic resources (net position) during the period are reported. An economic resources measurement focus is inextricably connected with full-accrual accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash inflows and outflows.

Governmental funds financial statements are presented on a modified accrual basis of accounting with a current financial resource measurement focus. This measurement focus concentrates on the fund's resources available for spending currently or in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported.

Similar to the connection between an economic resource measurement focus and full accrual accounting, a current financial resource measurement focus is inseparable from a modified accrual basis of accounting. Under modified accrual accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 30 days of the end of the current fiscal year.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Property taxes, intergovernmental and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues are considered to be measurable and available only when cash is received by the City.

## CITY OF SHERWOOD, OREGON

### NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2015

#### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### C. Measurement focus and basis of accounting (Continued)

A deferred inflow of resources in the form of unavailable revenue arises in the governmental funds' balance sheet when potential revenue does not meet both the measurable and available criteria for recognition in the current year. This unavailable revenue consists of uncollected property taxes not deemed available to finance operation of the current period. In the government-wide Statement of Activities, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned regardless of its availability. Thus, the deferral created on the governmental fund balance sheet for unavailable revenue is eliminated.

Similar to the way revenues are recorded, governmental funds only record those expenditures that affect current financial resources. Principal and interest on general long-term debt is recorded as a fund liability only when due, or to the extent that it is expected to be liquidated with expendable financial resources. However, in the government-wide financial statements with full accrual basis of accounting, all expenses affecting the economic resource status of the government must be recognized. Thus, the expense and related accrued liability for long-term portions of debt, interest, claims and judgments and compensated absences must be included.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund-based financial statements into the governmental column of the government-wide presentation. This reconciliation is part of the basic financial statements.

Proprietary funds distinguish between operating revenues and expenses and non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's ongoing operations. The principal operating revenues are charges to customers for services, and infrastructure development fees charged on building permits. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and overheads, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

##### D. Assets, deferred outflow of resources, liabilities, deferred inflow of resources, and net position or equity

###### 1. Cash and investments

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

## CITY OF SHERWOOD, OREGON

### NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2015

#### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

###### 2. *Receivables*

Property taxes levied for the fiscal year beginning July 1 are calculated on assessed values on January 1. Property taxes become a lien on the property on July 1. The tax roll is certified and billed in October. Taxes are due in equal payments on November 15, February 15, and May 15. Discounts are allowed for taxes paid in full by November 15. Unpaid taxes are late the day after the due date, and are delinquent on May 16. Interest accrues on all late amounts. Washington County assesses, collects, and turns over property taxes for Sherwood and all other cities in the County. Property tax receivables become liens on real property if not paid. Consequently, no allowances for uncollectible accounts are provided for them.

Proprietary fund receivables are recorded as revenue when earned, including services earned but not billed. The receivables of proprietary funds include billing for residential and commercial customers utilizing the City's water, sewer, storm water and telecommunications management services. An allowance for uncollectible accounts has been recorded for utility fees receivable, based on management's consideration of collectability and historical trends.

Under State of Oregon statutes, municipal court receivables are valid for ten years and are then renewable for another ten years. Delinquent receivables are turned over to an external collection agency after approximately 180 days. An allowance for uncollectible accounts has been recorded for court fines receivable, based on management's consideration of collectability and historical trends.

###### 3. *Capital assets*

Capital assets are reported in the applicable governmental or proprietary activities columns in the government-wide financial statements and in the enterprise fund statements. Capital assets are defined as assets that benefit at least two fiscal periods and have a cost of at least \$5,000.

Infrastructure is defined as long-lived capital assets that can be preserved for a significantly greater number of years than most capital assets, and are normally stationary in nature. Infrastructure includes such items as water and sewer pipes, roads, and bridges.

Purchased or constructed capital assets are recorded at historical cost, or estimated historical cost if historical cost is not known. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position and is provided on the straight-line basis over the following estimated useful lives:

## CITY OF SHERWOOD, OREGON

### NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2015

#### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

##### 3. Capital assets (Continued)

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

##### 4. Compensated absences

City employees accumulate earned but unused paid time off and sick leave. There is no liability for accumulated sick leave since the City does not pay any such amounts when employees separate from service. Compensated absences is accrued when incurred in the government-wide and enterprise financial statements. In the governmental fund financial statements, compensated absences are reported only when they become due. In general, liabilities for compensated absences are liquidated by the fund that reports the liability.

##### 5. Long-term debt

In the government-wide financial statements, and proprietary fund statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, proprietary activities, or proprietary fund in the Statement of Net Position. Bond premiums and discounts are amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

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

##### 6. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS.

## CITY OF SHERWOOD, OREGON

### NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2015

#### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

###### 7. Fund balance

In the fund financial statements, the fund balance for governmental funds is reported in a hierarchy of classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

- Fund balance is reported as non-spendable when the resources cannot be spent because they are either in a non-spendable form or legally or contractually required to be maintained intact. Resources in non-spendable form include inventories, prepaids, deposits and long-term advances.
- Fund balance is reported as restricted when the constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- Fund balance is reported as committed when the City Council passes a resolution that places specific constraints on how the resources may be used. The City Council can modify or rescind the commitment at any time through passage of an additional resolution.
- Resources that are constrained by the City's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Assigned fund balances are designated for specific use by the City Manager, authority granted by the City Council in Financial Policy V – Revenue Constraints and Fund Balance.
- Unassigned fund balance is the residual classification for the General Fund. This classification is also used to report any deficit fund balance amounts in other governmental funds.

The City has adopted the following order of spending regarding fund balance categories within the governmental funds. Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available; the order of spending for remaining unrestricted resources is committed (if applicable), assigned (if applicable) and lastly, unassigned fund balance.

Unrestricted fund balance is the sum of committed, assigned and unassigned fund balance in any individual fund. In the General Fund, City policy calls for the maintenance of an unrestricted fund balance of at least twenty percent of fund revenue.

##### E. Use of estimates

In preparing the City's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

## **CITY OF SHERWOOD, OREGON**

### **NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2015**

#### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **F. Budget**

In accordance with Oregon budget law, the City budgets all funds, including enterprise funds, using the current financial resources measurement focus and modified accrual basis of accounting.

The budget process begins with appointment of a Budget Officer and Budget Committee. Budget recommendations are developed through late winter. The Budget Committee approves the budget in early spring; public notices are published and public hearings held; and the Council adopts the budget prior to June 30.

Expenditures are appropriated by division, program or category level, as follows:

The General Fund is split into departments which reflect City programs and managerial responsibilities. These are grouped into five divisions for purposes of appropriations. The divisions are; Administration, Community Development, Public Safety, Community Services, and Public Works.

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

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

Expenditures cannot exceed appropriations at these legal levels of control. Management may amend line items in the budget without City Council approval so long as appropriations at the legal level of control are not changed. The City Council can amend the budget at the legal level of control within certain limits specified by statute. The statements and schedules in the Financial Section reflect the original and final budgets. There was one appropriation transfer and one supplemental budget approved by the Council during the year.

All appropriations lapse at fiscal year-end.

# CITY OF SHERWOOD, OREGON

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2015

### II. DETAILED NOTES ON ALL FUNDS

#### A. Cash and investments

Cash and investments are reflected on the Statement of Net Position at June 30, 2015 as follows:

Cash and investments consist of:

Petty cash	\$	1,100
Deposits with financial institutions (book overdraft)		(246,982)

Investments

Local Government Investment Pool	25,288,457
	<u>\$ 25,042,575</u>

	Governmental Activities	Proprietary Activities	Total
Cash and investments	\$ 3,479,454	\$ 9,166,245	12,645,699
Restricted cash and investments	6,704,829	5,692,047	12,396,876
	<u>\$ 10,184,283</u>	<u>\$ 14,858,292</u>	<u>\$ 25,042,575</u>

Restricted cash and investments consists of unspent bond proceeds and system development charges (SDC) fees collected for the specific use of SDC projects.

#### 1. Custodial Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. At June 30, 2015, the City had deposits with financial institutions totaling \$475,459, of which \$250,000 is insured by federal depository insurance.

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

#### 2. Investments

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

#### Custodial Risk – Investments

For an investment, this is the risk that, in the event of a failure of the counterparty, the City will not be able to recover the value of its investments or collateralized securities that are in the



# CITY OF SHERWOOD, OREGON

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2015

### II. DETAILED NOTES ON ALL FUNDS (Continued)

#### A. Cash and investments (Continued)

possession of an outside party. The City has no investments that are subject to custodial credit risk.

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

#### B. Receivables

Receivables as of June 30, 2015, net of allowance for uncollectible amounts, are as follows:

	Governmental Funds	Business Type Funds	Total
Receivables:			
Court fines	\$ 1,371,852	\$ -	\$ 1,371,852
Property taxes	427,341	-	427,341
State revenue	168,556	-	168,556
4th Qtr franchise fees	123,991	-	123,991
Washington County Grant Funds	84,798	-	84,798
Sherwood School District	78,593	-	78,593
CIS insurance reimbursement	16,405	-	16,405
Energy trust rebate	12,636	-	12,636
Sports league fees	6,177	-	6,177
Miscellaneous	25,081	478	25,559
Utility bills	55,522	546,379	601,901
Utility bills for CWS	-	214,479	214,479
FY14-15 water true-up - City of Wilsonville	-	166,028	166,028
Sherwood Broadband	-	17,418	17,418
Gross Receivables	2,370,952	944,782	3,315,734
Less: allowance for uncollectibles			
Court	(1,250,861)	-	(1,250,861)
Utility bills	(8,210)	(73,219)	(81,429)
Net receivables	\$ 1,111,881	\$ 871,563	\$ 1,983,444

**CITY OF SHERWOOD, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2015**

**II. DETAILED NOTES ON ALL FUNDS (Continued)**

**C. Capital assets**

Capital assets for governmental activities for the year ended June 30, 2015 are as follows:

	Balance June 30, 2014 (as restated)	Additions & Transfers	Deletions & Transfers	Balance June 30, 2015
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 12,491,933	\$ 160,235	\$ (395,029)	\$ 12,257,139
Intangibles (easements)	5,754,120	97,823	-	5,851,943
Construction work in progress	5,175,245	5,227,272	(8,115,576)	2,286,941
Total capital assets not being depreciated	23,421,298	5,485,330	(8,510,605)	20,396,023
Capital assets being depreciated:				
Infrastructure	67,555,431	5,116,890	-	72,672,322
Buildings and improvements	32,955,551	6,082,727	-	39,038,278
Machinery and equipment	1,706,227	85,035	(59,250)	1,732,012
Licensed vehicles	1,293,862	85,628	(103,890)	1,275,600
Total capital assets being depreciated	103,511,072	11,370,280	(163,140)	114,718,212
Less accumulated depreciation:				
Infrastructure	31,102,495	3,865,742	-	34,968,237
Buildings and improvements	12,366,886	1,509,794	-	13,876,680
Machinery and equipment	1,084,429	130,171	(55,226)	1,159,374
Licensed vehicles	970,402	86,362	(99,441)	957,324
Total accumulated depreciation	45,524,212	5,592,069	(154,667)	50,961,615
Total capital assets being depreciated, net	57,986,859	5,778,211	(8,473)	63,756,597
Governmental activities capital assets, net	\$ 81,408,157	\$ 11,263,541	\$ (8,519,078)	\$ 84,152,620
Governmental activities:				
Administration		\$ 393,863		
Public safety		86,467		
Community services		195,470		
Public works		4,916,269		
Total depreciation expense - governmental activities		\$ 5,592,069		

**CITY OF SHERWOOD, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2015**

**II. DETAILED NOTES ON ALL FUNDS (Continued)**

**C. Capital assets (Continued)**

Capital assets for proprietary activities for the year ended June 30, 2015 are as follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
<b>Proprietary activities</b>				
Capital assets not being depreciated:				
Land	\$ 298,289	\$ -	\$ -	\$ 298,289
Intangibles (easements)	1,496,611	1,415,727	-	2,912,338
Construction work in progress	1,089,242	893,661	(144,120)	1,838,782
Total capital assets not being depreciated	2,884,142	2,309,388	(144,120)	5,049,408
Capital assets being depreciated:				
Infrastructure	89,017,919	3,111,758	-	92,129,677
Buildings and improvements	11,322	-	-	11,322
Machinery and equipment	1,591,910	19,775	-	1,611,685
Licensed vehicles	465,311	69,913	-	535,224
Total capital assets being depreciated	91,086,463	3,201,446	-	94,287,909
Less accumulated depreciation:				
Infrastructure	9,302,089	1,057,055	-	10,359,144
Buildings and improvements	2,663	453	-	3,116
Machinery and equipment	1,198,008	71,716	-	1,269,724
Licensed vehicles	251,731	32,207	-	283,938
Total accumulated depreciation	10,754,491	1,161,431	-	11,915,922
Total capital assets being depreciated, net	80,331,972	2,040,015	-	82,371,987
Proprietary activities capital assets, net	\$ 83,216,114	\$ 4,349,403	\$ (144,120)	\$ 87,421,397
Proprietary activities:				
Water		\$ 754,078		
Sanitary		176,858		
Storm		207,844		
Telecommunications		22,651		
Total depreciation expense - proprietary activities		\$ 1,161,431		

# CITY OF SHERWOOD, OREGON

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2015

### II. DETAILED NOTES ON ALL FUNDS (Continued)

#### D. Long-term liabilities

##### 1. Debt outstanding

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

Bonds and loans outstanding and the changes in long-term liabilities for the year ended June 30, 2015 are as follows. Note that stated interest rates relate to identified maturities and the City holds no variable interest obligations.

	Original Amount	Outstanding June 30, 2014	Issued	Matured/ Redeemed During Year	Outstanding June 30, 2015	Due Within One Year
<b>Governmental activities</b>						
General Obligation bonds:						
2004 A&B efunding (interest 1-3.8%)	\$6,045,000	\$ 1,745,000	\$ -	\$ (560,000)	\$ 1,185,000	\$ 585,000
2011 Police refunding (interest 2-4.04%)	2,305,000	1,680,000	-	(220,000)	1,460,000	225,000
Long-term loans:						
2001 YMCA expansion (interest 2.76-5.4%)	1,970,000	515,000	-	(165,000)	350,000	170,000
Long-term Loans URA:						
2006 URA Streets #2 (3.66% -4.45%)	6,400,000	4,748,824	-	(283,328)	4,465,496	295,313
2010 URA Cannery & streets (interest 4.65%)	7,065,000	6,115,000	-	(260,000)	5,855,000	275,000
2010 URA Cannery projects (interest 0.55%)	8,500,000	5,898,888	-	-	5,898,888	-
2012 Civic bldg & street refunding (interest 3.0%)	5,245,000	4,450,000	-	(425,000)	4,025,000	440,000
Capital leases:						
2011 phone system	118,200	17,764	-	(17,764)	-	-
2012 two police cars	80,938	20,047	-	(20,047)	-	-
2013 two police cars	83,733	41,866	-	(20,933)	20,933	20,933
Total of long-term debt for governmental activities		25,232,389	-	(1,972,072)	23,260,317	2,011,246
Premium on bonds issued		390,061	-	(42,356)	347,705	42,356
Total of long-term debt and premiums for governmental activities		<u>\$ 25,622,450</u>	<u>\$ -</u>	<u>\$ (2,014,428)</u>	<u>\$ 23,608,022</u>	<u>\$ 2,053,602</u>
<b>Proprietary activities</b>						
Long-term loans:						
2008 SDW Water Reservoir (interest 3.55%)	6,000,000	\$ 5,109,652	\$ -	\$ (242,867)	\$ 4,866,785	\$ 251,301
2009 SDW Water Pipeline (interest 3.83%)	6,000,000	5,356,162	-	(229,729)	5,126,433	238,528
2011 Water Projects (interest 2-5%)	14,165,000	13,385,000	-	(400,000)	12,985,000	410,000
Total of long-term debt for proprietary activities		23,850,814	-	(872,596)	22,978,218	899,829
Premium on bonds issued		163,404	-	(7,428)	155,976	7,428
Total of long-term debt and premiums for proprietary activities		<u>\$ 24,014,218</u>	<u>\$ -</u>	<u>\$ (880,024)</u>	<u>\$ 23,134,194</u>	<u>\$ 907,257</u>
<b>Compensated absences payable</b>						
	Outstanding June 30, 2014	Increases	Decreases	Outstanding June 30, 2015	Due Within One Year	
Governmental activities	\$ 437,597	\$ 20,748	\$ (22,494)	\$ 435,851	\$174,340	
Proprietary activities	71,055	4,454	(1,729)	73,780	29,512	
Total	<u>\$ 508,652</u>	<u>\$ 25,202</u>	<u>\$ (24,223)</u>	<u>\$ 509,631</u>	<u>\$203,852</u>	

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015, were as follows:

Year ending June 30	Governmental Activities
2016	\$ 20,933
Less: amount representing interest	(1,506)
Present value of minimum lease payments	<u>\$ 19,427</u>

**CITY OF SHERWOOD, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2015**

**II. DETAILED NOTES ON ALL FUNDS (Continued)**

**D. Long-term liabilities (Continued)**

*2. Debt service requirements*

Fiscal Year Ending June 30,	Governmental Activities						Proprietary Activities			Total Business-type Activities
	GO Bonds	City Loans	Capital Lease	Loans - URA	Total Principal	Interest	Total Govern- mental Activities	Principal	Interest	
2016	\$ 810,000	\$ 170,000	\$20,933	\$ 1,010,313	\$ 2,011,246	\$ 812,523	\$ 2,823,769	\$ 899,829	\$ 939,838	\$ 1,839,667
2017	830,000	180,000	-	2,180,846	3,190,846	724,168	3,915,014	922,886	913,582	1,836,468
2018	240,000	-	-	2,245,610	2,485,610	626,384	3,111,994	956,609	882,408	1,839,017
2019	245,000	-	-	2,310,910	2,555,910	553,584	3,109,494	986,024	850,093	1,836,117
2020	255,000	-	-	2,376,760	2,631,760	477,193	3,108,953	1,026,156	812,362	1,838,518
2021-2025	265,000	-	-	6,790,477	7,055,477	1,411,823	8,467,300	5,784,748	3,414,540	9,199,288
2026-2030	-	-	-	3,329,418	3,329,418	408,134	3,737,552	7,017,010	2,174,355	9,191,365
2031-2035	-	-	-	-	-	-	-	4,450,137	872,202	5,322,339
Thereafter	-	-	-	-	-	-	-	935,000	46,750	981,750
	<u>\$2,645,000</u>	<u>\$ 350,000</u>	<u>\$20,933</u>	<u>\$ 20,244,334</u>	<u>\$ 23,260,267</u>	<u>\$5,013,809</u>	<u>\$ 28,274,076</u>	<u>\$22,978,399</u>	<u>\$10,906,130</u>	<u>\$ 33,884,529</u>

**E. Inter-fund Loans and Transfers**

In March 2009, the General Fund advanced \$950,000 to the Telecommunications Fund for operational and capital construction costs. As of June 30, 2015 \$770,126 has been paid back to the General Fund leaving a principal balance of \$179,874 owing. The remaining inter-fund loan balance will be paid in full by 2016.

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

Transfers Out:		Transfers In:		
Fund		URA Capital Fund	Nonmajor Governmental Funds	Total
1	URA Operations	\$ 3,988,201	\$ -	\$ 3,988,201
2	Street Capital	-	163,299	163,299
Total		\$ 3,988,201	\$ 163,299	\$ 4,151,500

**Purpose:**

- 1 From URA Operations to URA Capital for Community Center
- 2 Transfer for the Cedar Creek Trail Project

## CITY OF SHERWOOD, OREGON

### NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2015

#### III. OTHER INFORMATION

##### A. Risk management

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omission, injuries to employees, and natural disasters. The City purchases commercial insurance to minimize its exposure to these risks. Settled claims have not exceeded this commercial coverage for any of the past three years.

##### B. Pension plan

###### 1. *Plan Description*

Employees of the City are provided with pensions through the Oregon Public Employees Retirement System (OPERS) a cost-sharing multiple-employer defined benefit pension plan, the Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained at [http://www.oregon.gov/pers/Pages/section/financial\\_reports/financials.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx).

###### 2. *Benefits Provided*

###### A. Tier One/Tier Two Retirement Benefit ORS Chapter 238

###### Pension Benefits

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General Service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

## CITY OF SHERWOOD, OREGON

### NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2015

#### III. OTHER INFORMATION (Continued)

##### B. Pension plan (Continued)

###### 2. *Benefits Provided (Continued)*

###### Death Benefits

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- the member was employed by a PERS employer at the time of death,
- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS covered job, or
- the member was on an official leave of absence from a PERS-covered job at the time of death.

###### Disability Benefits

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

###### Benefit Changes

After Retirement Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

##### B. OPSRP Pension Program (OPSRP DB)

###### Pension Benefits

The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

## CITY OF SHERWOOD, OREGON

### NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2015

#### III. OTHER INFORMATION (Continued)

##### B. Pension plan (Continued)

###### 2. *Benefits Provided (Continued)*

General Service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the OPSRP Pension Program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

###### Death Benefits

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

###### Disability Benefits

A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

###### Benefit Changes After Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

##### C. OPSRP Individual Account Program (OPSRP IAP)

###### Pension Benefits

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.



## CITY OF SHERWOOD, OREGON

### NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2015

#### III. OTHER INFORMATION (Continued)

##### B. Pension plan (Continued)

###### 2. *Benefits Provided (Continued)*

The City makes the 6% contributions on behalf of the employees. The City made contributions in the amount of \$362,321 for the year ended June 30, 2015.

###### Death Benefits

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

###### 3. *Contributions*

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2011 actuarial valuation as subsequently modified by 2013 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2013. Employer contributions for the year ended June 30, 2015 were \$749,886. The rates in effect for the fiscal year ended June 30, 2015 were 15.42 percent for Tier One/Tier Two General Service Member and Police and Fire, 10.32 percent for OPSRP Pension Program General Service Members, 13.05 percent for OPSRP Pension Program Police and Fire Members, and 6 percent for OPSRP Individual Account Program.

###### 4. *Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2015, the City reported an asset of \$1,872,340 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2012 rolled forward to June 30, 2014. The City's proportion of the net pension asset was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2014, the City's proportion was 0.0826 percent, which was unchanged from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City's recognized pension expense (income) of (\$1,709,221). At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

# CITY OF SHERWOOD, OREGON

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2015

### III. OTHER INFORMATION (Continued)

#### B. Pension plan (Continued)

##### 4. Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	3,612,862
Changes in proportion and differences between City contributions and proportionate share of contributions	13,553	-
City contributions subsequent to the measurement date	749,886	-
Total	<u>\$ 763,439</u>	<u>\$ 3,612,862</u>

\$749,886 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	Net difference between projected and actual earnings on investments	Changes in proportion and differences between City contributions and proportionate share of contributions	Total
2016	\$ (903,215)	\$ 2,946	\$ (900,269)
2017	(903,215)	2,946	(900,269)
2018	(903,215)	2,946	(900,269)
2019	(903,217)	2,946	(900,269)
2020	-	1,769	1,769
Thereafter	-	-	-
	<u>\$ (3,612,862)</u>	<u>\$ 13,553</u>	<u>\$ (3,599,309)</u>

#### 5. Actuarial Assumptions

The employer contribution rates effective July 1, 2013, through June 30, 2015, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years. The total pension liability in the December 31, 2012 actuarial valuation was determined using the following actuarial assumptions:

# CITY OF SHERWOOD, OREGON

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2015

### III. OTHER INFORMATION (Continued)

#### B. Pension plan (Continued)

##### 5. Actuarial Assumptions (Continued)

Valuation Date	December 31, 2012 rolled forward to June 30, 2014
Experience Study Report	2012, published September 18, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.75 percent
Investment Rate of Return	7.75 percent
Projected Salary Increases	3.75 percent overall payroll growth
Mortality	<p>Health retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.</p> <p>Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage of the RP-2000 statistic combined disabled mortality sex-distinct table.</p>

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2012 Experience Study which reviewed experience for the four-year period ending on December 31, 2012.

##### 6. Long-term expected rate of return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

# CITY OF SHERWOOD, OREGON

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2015

### III. OTHER INFORMATION (Continued)

#### B. Pension plan (Continued)

##### 6. Long-term expected rate of return (Continued)

Asset Class	Target Allocation	Compounded Annual Return (Geometric)
Core Fixed Income	7.20%	4.50%
Short-Term Bonds	8.00%	3.70%
Intermediate -Term Bonds	3.00%	4.10%
High Yield Bonds	1.80%	6.66%
Large Cap US Equities	11.65%	7.20%
Mid Cap US Equities	3.88%	7.30%
Small Cap US Equities	2.27%	7.45%
Developed Foreign Equities	14.21%	6.90%
Emerging Foreign Equities	5.49%	7.40%
Private Equities	20.00%	8.26%
Opportunity Funds/Absolute Return	5.00%	6.01%
Real Estate (Property)	13.75%	6.51%
Real Estate (REITS)	2.50%	6.76%
Commodities	1.25%	6.07%
Total	<u>100.00%</u>	
Assumed Inflation - Mean		2.75%

##### 7. Discount rate

The discount rate used to measure the total pension liability (asset) was 7.75 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability (asset).

##### 8. Sensitivity of the City's proportionate share of the net pension liability (asset) to changes in the discount rate

The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability (asset)	\$3,964,943	\$ (1,872,340)	\$ (6,809,315)

# CITY OF SHERWOOD, OREGON

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2015

### III. OTHER INFORMATION (Continued)

#### B. Pension plan (Continued)

##### 9. Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report that can be obtained at:

[http://www.oregon.gov/pers/Pages/section/financial\\_reports/financials.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx).

##### 10. Changes in Plan Provisions Subsequent to Measurement Date

The Oregon Supreme Court on April 30, 2015, ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS will make restoration payments to those benefit recipients. The estimated effect of the Moro decision for the City is shown below.

	Prior to Moro	After Moro (estimated)	Change in net pension (asset) liability
Total pension liability	\$ 52,150,323	\$ 56,210,355	
Fiduciary net position	54,022,663	54,021,414	
Net pension (asset) liability	<u>\$ (1,872,340)</u>	<u>\$ 2,188,941</u>	<u>\$ (4,061,281)</u>

OPERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire.

This is a change in benefit terms subsequent to the measurement date of June 30, 2014, and has not been included in the net pension liability (asset) proportionate shares provided by OPERS.

#### C. Postemployment Benefits Other than Pensions

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

**Funding Policy** – Given that RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premium coverage, whichever is less, shall be paid from the RHIA established by the employer, and any

## **CITY OF SHERWOOD, OREGON**

### **NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2015**

#### **III. OTHER INFORMATION (Continued)**

##### **C. Postemployment Benefits Other than Pensions (Continued)**

monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or received disability allowance as if the member had eight years or more of credible service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating cities are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently .59 percent of annual covered payroll for Tier1/Tier 2 and .49 percent for OPSRP. The OPERS Board of Trustees sets the employer contribution rate based on the annual required contributions (ARC) of the employers, an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of plan over a period not to exceed ten years. The City's contributions to RHIA were included in contributions made to PERS.

#### **IV. NEW ACCOUNTING PRONOUNCEMENT – GASB STATEMENT NO. 68 AND 71**

The GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. GASB Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. GASB Statement No. 71 addresses an issue regarding application of the transition provisions of GASB Statement No. 68. The City implemented GASB Statement No. 68 and 71 in the year ended June 30, 2015. Additional information can be found in Note IIIB - Pension Plan and Note VI - Restatements.

#### **V. COMMITMENTS AND CONTINGENCIES**

The City is involved in various claims and legal matters relating to its operations which the City does not believe that any of these matters have a material impact on its June 30, 2014 financial statements. The City has outstanding commitments at June 30, 2015 totaling \$1,175,464 related to construction contracts.

# CITY OF SHERWOOD, OREGON

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2015

### VI. RESTATEMENTS

Based on implementation of GASB Statement No. 68 and 71, the City restated the beginning net position for the Governmental Activities and Business-Type Activities. Net position has been restated as follows:

	Governmental Activities	Proprietary Type Activities	Total
Net position - June 30, 2014 as originally reported	\$ 65,885,032	\$ 72,985,224	\$ 138,870,256
Restatement related to:			
Change due to GASB 68 & 71	(3,024,759)	(411,429)	(3,436,188)
Change in accounting for SDC Credits	4,804,634	61,365	4,865,999
Correction for payroll accruals	(481,842)	(77,002)	(558,844)
Correction for revenue accruals	272,206	-	272,206
Correction for depreciation	(1,229,923)	-	(1,229,923)
Net position - June 30, 2014 as restated	<u>\$ 66,225,348</u>	<u>\$ 72,558,158</u>	<u>\$ 138,783,506</u>

### VII. OVER-EXPENDITURE OF APPROPRIATIONS

Oregon law prohibits expenditures in excess of Council-approved appropriations. The City has the following over-expenditure of appropriations during the current year.

	<u>Appropriation over Budget</u>
General Fund	
Administration	\$ 186
Community Development	17,180
Urban Renewal Operations	
Personal Services	2,032
Street Operations	
Capital Outlay	350,754

The General Fund and Urban Renewal Operations Fund have over-expenditures of appropriations due to a change in how payroll accruals are being recorded at year end.

The Street Operations Fund capital outlay is over-expended due to the funding of a maintenance project being budgeted as materials and services instead of capital outlay.

**REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF SHERWOOD**  
Sherwood, Oregon

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES)**  
**AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$4,811,700	\$4,811,700	\$ 4,808,642	\$ (3,058)
Franchise fees	1,798,000	1,798,000	1,544,203	(253,797)
Intergovernmental	1,843,699	1,843,699	1,712,510	(131,189)
Charges for services	840,141	840,141	734,337	(105,804)
Infrastructure development fees	112,450	112,450	157,697	45,247
Fines and forfeitures	970,500	970,500	1,047,358	76,858
Interest	25,000	25,000	21,248	(3,752)
Miscellaneous	259,480	259,480	224,157	(35,323)
<b>TOTAL REVENUES</b>	<b>10,660,970</b>	<b>10,660,970</b>	<b>10,250,152</b>	<b>(410,818)</b>
<b>EXPENDITURES:</b>				
Administration	2,643,302	2,713,302	2,713,489	(187)
Community development	1,382,749	1,407,749	1,424,929	(17,180)
Public safety	3,595,472	3,595,472	3,499,205	96,267
Community services	1,563,238	1,468,238	1,441,834	26,404
Public works	2,037,484	2,037,484	1,846,871	190,613
Contingency	2,833,496	2,833,496	-	2,833,496
<b>TOTAL EXPENDITURES</b>	<b>14,055,741</b>	<b>14,055,741</b>	<b>10,926,328</b>	<b>3,129,413</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(3,394,771)</b>	<b>(3,394,771)</b>	<b>(676,176)</b>	<b>2,718,595</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Interfund loan payments	147,000	147,000	148,359	1,359
Sale of capital assets	-	-	19,936	19,936
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>147,000</b>	<b>147,000</b>	<b>168,295</b>	<b>21,295</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(3,247,771)</b>	<b>(3,247,771)</b>	<b>(507,881)</b>	<b>2,739,890</b>
<b>FUND BALANCE</b> , June 30, 2014 as originally stated	3,247,771	3,247,771	3,553,344	305,573
Restatement	-	-	(267,946)	(267,946)
<b>FUND BALANCE</b> , June 30, 2014 as restated	<b>3,247,771</b>	<b>3,247,771</b>	<b>3,285,398</b>	<b>37,627</b>
<b>FUND BALANCE</b> , June 30, 2015	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,777,517</b>	<b>\$ 2,777,517</b>
Fund balance budget basis			\$ 2,777,517	
Balance of interfund loan			179,874	
Fund balance fund statements			<u>\$ 2,957,391</u>	
Change in fund balance budget basis			\$ (507,881)	
Payment on interfund loan			(148,359)	
Change in fund balance GAAP basis			<u>\$ (656,240)</u>	

# CITY OF SHERWOOD

Sherwood, Oregon

## STREET OPERATIONS 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		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 1,149,552	\$ 1,149,552	\$ 1,154,815	\$ 5,263
Charges for services	542,880	542,880	602,113	59,233
Infrastructure development fees	2,000	2,000	5,970	3,970
Interest	6,200	6,200	8,581	2,381
Miscellaneous	-	-	5,350	5,350
<b>TOTAL REVENUES</b>	<u>1,700,632</u>	<u>1,700,632</u>	<u>1,776,829</u>	<u>76,197</u>
<b>EXPENDITURES:</b>				
Personnel services	347,727	347,727	285,894	61,833
Materials and services	1,800,542	1,543,542	722,153	821,389
Capital outlay	40,000	297,000	647,754	(350,754)
Contingency	1,021,555	1,021,555	-	1,021,555
<b>TOTAL EXPENDITURES</b>	<u>3,209,824</u>	<u>3,209,824</u>	<u>1,655,801</u>	<u>1,554,023</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(1,509,192)</u>	<u>(1,509,192)</u>	<u>121,028</u>	<u>1,630,220</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sale of capital assets	-	-	2,500	2,500
<b>NET CHANGE IN FUND BALANCE</b>	<u>(1,509,192)</u>	<u>(1,509,192)</u>	<u>123,528</u>	<u>1,632,720</u>
<b>FUND BALANCE, June 30, 2014 as originally stated</b>	<u>1,509,192</u>	<u>1,509,192</u>	<u>1,548,453</u>	<u>39,261</u>
Restatement	-	-	72,526	72,526
<b>FUND BALANCE, June 30, 2014 as restated</b>	<u>1,509,192</u>	<u>1,509,192</u>	<u>1,620,979</u>	<u>111,787</u>
<b>FUND BALANCE, June 30, 2015</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,744,507</u>	<u>\$ 1,744,507</u>

# CITY OF SHERWOOD

Sherwood, Oregon

## URBAN RENEWAL OPERATIONS 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		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$3,585,535	\$3,585,535	\$ 3,474,465	\$ (111,070)
Interest and other	18,000	18,000	15,110	(2,890)
<b>TOTAL REVENUES</b>	<u>3,603,535</u>	<u>3,603,535</u>	<u>3,489,575</u>	<u>(113,960)</u>
<b>EXPENDITURES:</b>				
Personnel services	34,357	54,357	56,390	(2,033)
Materials and services	73,502	76,002	75,950	52
Debt service	1,585,240	1,585,240	1,585,240	-
Contingency	1,452,911	1,340,411	-	1,340,411
<b>TOTAL EXPENDITURES</b>	<u>3,146,010</u>	<u>3,056,010</u>	<u>1,717,580</u>	<u>1,338,429</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>457,525</u>	<u>547,525</u>	<u>1,771,995</u>	<u>1,224,470</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(4,000,000)	(4,090,000)	(3,988,201)	101,799
Proceeds from sale of capital assets	-	-	182,064	182,064
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(4,000,000)</u>	<u>(4,090,000)</u>	<u>(3,806,137)</u>	<u>283,863</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(3,542,475)</u>	<u>(3,542,475)</u>	<u>(2,034,142)</u>	<u>1,508,333</u>
<b>FUND BALANCE</b> , June 30, 2014 as originally stated	3,542,475	3,542,475	3,657,028	114,553
Restatement	-	-	(3,626)	(3,626)
<b>FUND BALANCE</b> , June 30, 2014 as restated	<u>3,542,475</u>	<u>3,542,475</u>	<u>3,653,402</u>	<u>110,927</u>
<b>FUND BALANCE</b> , June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,619,260</u>	<u>\$ 1,619,260</u>

**CITY OF SHERWOOD**  
Sherwood, Oregon

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)**  
For the last two fiscal years

Year Ended June 30,	(a) City's proportion of the net pension liability (asset) (1)	(b) City's proportionate share of the net pension liability (asset) (1)	(c) City's covered payroll	(b/c) City's proportionate share of the net pension liability (asset) as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.08260155 %	\$ (1,872,341)	\$ 6,379,226	29.35 %	103.60 %
2014	0.08260155	4,215,278	6,207,920	67.90	91.97

- (1) The amounts presented for each fiscal year were actuarially determined at December 31 and rolled forward to the measurement date.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplemental information is available.

**SCHEDULE OF PLAN CONTRIBUTIONS**  
For the last two fiscal years

Year Ended June 30,	(a) Statutorily required contribution (1)	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency (excess)	(c) City's covered payroll	(b/c) Contributions as a percent of covered payroll
2015	\$ 749,886	\$ 749,886	0	\$ 6,379,226	11.76 %
2014	779,090	779,090	0	6,207,920	12.42

- (1) The amounts presented for each fiscal year were actuarially determined at December 31.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplemental information is available.

### Changes in Plan Provisions

A summary of key changes in plan provisions are described in the Oregon Public Employees Retirement System's Statement No. GASB 68 Disclosure Information which can be found at: [http://www.oregon.gov/pers/EMP/docs/er\\_general\\_information/opers\\_gasb\\_68\\_disclosure\\_information\\_revised.pdf](http://www.oregon.gov/pers/EMP/docs/er_general_information/opers_gasb_68_disclosure_information_revised.pdf)

### Changes of Assumptions

A summary of key changes implemented since the December 31, 2011 valuation are described in the Oregon Public Employees Retirement System's Statement No. GASB 68 Disclosure Information which can be found at: [http://www.oregon.gov/pers/EMP/docs/er\\_general\\_information/opers\\_gasb\\_68\\_disclosure\\_information\\_revised.pdf](http://www.oregon.gov/pers/EMP/docs/er_general_information/opers_gasb_68_disclosure_information_revised.pdf)

Additional details and a comprehensive list of changes in methods and assumptions can be found in the 2012 Experience Study for the System, which was published on September 18, 2013, and can be found at: <http://www.oregon.gov/pers/docs/2012%20Exp%20Study%20Updated.pdf>

**OTHER SUPPLEMENTARY INFORMATION**

**MAJOR CAPITAL PROJECT FUNDS**

**CITY OF SHERWOOD**

Sherwood, Oregon

**URBAN RENEWAL CAPITAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES)**

**AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2015**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ -	\$ -	\$ 16,900	\$ 16,900
<b>EXPENDITURES:</b>				
Personnel services	125,080	110,080	96,132	13,948
Materials and services	89,761	79,761	75,834	3,927
Capital outlay	3,786,262	3,866,262	3,829,019	37,243
Contingency	17,720	17,720	-	17,720
<b>TOTAL EXPENDITURES</b>	<u>4,018,823</u>	<u>4,073,823</u>	<u>4,000,985</u>	<u>72,838</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(4,018,823)</u>	<u>(4,073,823)</u>	<u>(3,984,085)</u>	<u>89,738</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	4,000,000	4,055,000	3,988,201	(66,799)
<b>NET CHANGE IN FUND BALANCE</b>	<u>(18,823)</u>	<u>(18,823)</u>	<u>4,116</u>	<u>22,939</u>
<b>FUND BALANCE</b> , June 30, 2014 as originally stated	18,823	18,823	-	(18,823)
Restatement	-	-	(4,116)	(4,116)
<b>FUND BALANCE</b> , June 30, 2014 as restated	<u>18,823</u>	<u>18,823</u>	<u>(4,116)</u>	<u>(22,939)</u>
<b>FUND BALANCE</b> , June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF SHERWOOD**

Sherwood, Oregon

**STREET CAPITAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES)**

**AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2015**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ -	\$ -	\$ 3,261	\$ 3,261
Charges for services	50,000	50,000	54,195	4,195
Infrastructure development fees	892,000	892,000	201,507	(690,493)
Interest	2,000	2,000	15,242	13,242
	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>1,000</u>
<b>TOTAL REVENUES</b>	<u>944,000</u>	<u>944,000</u>	<u>275,205</u>	<u>(668,795)</u>
<b>EXPENDITURES:</b>				
Personnel services	29,802	29,802	22,326	7,476
Materials and services	161,045	161,045	67,230	93,815
Capital outlay	40,000	930,000	921,303	8,697
Contingency	3,512,243	2,622,243	-	2,622,243
<b>TOTAL EXPENDITURES</b>	<u>3,743,090</u>	<u>3,743,090</u>	<u>1,010,859</u>	<u>2,732,231</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(2,799,090)</u>	<u>(2,799,090)</u>	<u>(735,654)</u>	<u>2,063,436</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	<u>(200,000)</u>	<u>(200,000)</u>	<u>(163,299)</u>	<u>36,701</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(2,999,090)</u>	<u>(2,999,090)</u>	<u>(898,953)</u>	<u>2,100,137</u>
<b>FUND BALANCE</b> , June 30, 2014 as originally stated	2,999,090	2,999,090	3,201,383	202,293
Restatement	<u>-</u>	<u>-</u>	<u>(5,489)</u>	<u>(5,489)</u>
<b>FUND BALANCE</b> , June 30, 2014 as restated	<u>2,999,090</u>	<u>2,999,090</u>	<u>3,195,894</u>	<u>196,804</u>
<b>FUND BALANCE</b> , June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,296,941</u>	<u>\$ 2,296,941</u>



**NONMAJOR GOVERNMENTAL FUNDS**

**CITY OF SHERWOOD**

Sherwood, Oregon

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2015**

		Capital Project Fund	
	Debt Service	General Construction	Totals
<b>ASSETS:</b>			
Cash and investments	\$ (12,938)	\$ 318,208	\$ 305,270
Restricted cash	-	858,880	858,880
Receivables	42,015	800	42,815
<b>TOTAL ASSETS</b>	<u>\$ 29,077</u>	<u>\$ 1,177,888</u>	<u>\$ 1,206,965</u>
<b>LIABILITIES:</b>			
Other current liabilities	\$ -	\$ 17,059	\$ 17,059
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Unavailable revenue - property taxes	39,692	-	39,692
<b>FUND BALANCES:</b>			
Restricted	-	841,821	841,821
Committed	-	319,008	319,008
Unassigned	(10,615)	-	(10,615)
<b>TOTAL FUND BALANCES</b>	<u>(10,615)</u>	<u>1,160,829</u>	<u>1,150,214</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<u>\$ 29,077</u>	<u>\$ 1,177,888</u>	<u>\$ 1,206,965</u>

**CITY OF SHERWOOD**

Sherwood, Oregon

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER  
FINANCING SOURCES (USES) AND CHANGE IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Debt Service</u>	<u>Capital Project Fund General Construction</u>	<u>Totals</u>
<b>REVENUES:</b>			
Property taxes	\$ 872,146	\$ -	\$ 872,146
Charges for services	-	21,037	21,037
Infrastructure development fees	-	179,552	179,552
Interest and other	1,532	7,180	8,712
	<u>873,678</u>	<u>207,769</u>	<u>1,081,447</u>
<b>TOTAL REVENUES</b>			
<b>EXPENDITURES:</b>			
Current:			
Public works	-	193,271	193,271
Noncurrent			
Capital outlay	-	525,197	525,197
Debt service	894,394	48,533	942,927
	<u>894,394</u>	<u>767,001</u>	<u>1,661,395</u>
<b>TOTAL EXPENDITURES</b>			
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(20,716)	(559,232)	(579,948)
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	-	163,299	163,299
	<u>(20,716)</u>	<u>(395,933)</u>	<u>(416,649)</u>
<b>NET CHANGE IN FUND BALANCE</b>			
<b>FUND BALANCE</b> , June 30, 2014 as originally stated	10,101	1,557,748	1,567,849
Restatement	-	(986)	(986)
<b>FUND BALANCE</b> , June 30, 2014 as restated	10,101	1,556,762	1,566,863
<b>FUND BALANCE</b> , June 30, 2015	<u>\$ (10,615)</u>	<u>\$ 1,160,829</u>	<u>\$ 1,150,214</u>

**CITY OF SHERWOOD**

Sherwood, Oregon

**DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGE IN FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 885,930	\$ 885,930	\$ 872,146	\$ (13,784)
Interest	-	-	1,532	1,532
<b>TOTAL REVENUES</b>	885,930	885,930	873,678	(12,252)
<b>EXPENDITURES:</b>				
Debt service	894,394	894,394	894,394	-
<b>TOTAL EXPENDITURES</b>	894,394	894,394	894,394	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE</b>	(8,464)	(8,464)	(20,716)	(12,252)
<b>FUND BALANCE, June 30, 2014</b>	8,464	8,464	10,101	1,637
<b>FUND BALANCE (DEFICIT), June 30, 2015</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,615)</u>	<u>\$ (10,615)</u>

**CITY OF SHERWOOD**

Sherwood, Oregon

**GENERAL CONSTRUCTION FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES)**

**AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2015**

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUES:</b>				
Charges for services	\$ 12,000	\$ 12,000	\$ 21,037	\$ 9,037
Infrastructure development fees	266,000	266,000	179,552	(86,448)
Interest and other	775	775	7,180	6,405
<b>TOTAL REVENUES</b>	<u>278,775</u>	<u>278,775</u>	<u>207,769</u>	<u>(71,006)</u>
<b>EXPENDITURES:</b>				
Personnel services	62,753	45,753	31,613	14,140
Materials and services	162,951	179,951	161,658	18,293
Capital outlay	749,759	749,759	525,197	224,562
Debt service	48,533	48,533	48,533	-
Contingency	683,170	683,170	-	683,170
<b>TOTAL EXPENDITURES</b>	<u>1,707,166</u>	<u>1,707,166</u>	<u>767,001</u>	<u>940,165</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(1,428,391)</u>	<u>(1,428,391)</u>	<u>(559,232)</u>	<u>869,160</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	200,000	200,000	163,299	(36,701)
<b>NET CHANGE IN FUND BALANCE</b>	<u>(1,228,391)</u>	<u>(1,228,391)</u>	<u>(395,933)</u>	<u>832,458</u>
<b>FUND BALANCE</b> , June 30, 2014 as originally stated	1,228,391	1,228,391	1,557,748	329,357
Restatement	-	-	(986)	(986)
<b>FUND BALANCE</b> , June 30, 2014 as restated	<u>1,228,391</u>	<u>1,228,391</u>	<u>1,556,762</u>	<u>328,371</u>
<b>FUND BALANCE</b> , June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,160,829</u>	<u>\$ 1,160,829</u>

## **PROPRIETARY FUNDS**

# CITY OF SHERWOOD

Sherwood, Oregon

## WATER FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2015

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUES:</b>				
Charges for services	\$ 4,386,316	\$ 4,386,316	\$ 4,839,176	452,860
Infrastructure development fees	379,720	379,720	163,508	(216,212)
Interest	22,415	22,415	44,020	21,605
<b>TOTAL REVENUES</b>	<b>4,788,451</b>	<b>4,788,451</b>	<b>5,046,704</b>	<b>258,253</b>
<b>EXPENDITURES:</b>				
Operations	5,167,109	5,352,109	5,182,560	169,549
Capital	140,179	140,179	123,904	16,275
Contingency	7,660,831	7,475,831	-	7,475,831
<b>TOTAL EXPENDITURES</b>	<b>12,968,119</b>	<b>12,968,119</b>	<b>5,306,464</b>	<b>7,661,655</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE</b>	<b>(8,179,668)</b>	<b>(8,179,668)</b>	<b>(259,760)</b>	<b>7,919,908</b>
<b>FUND BALANCE, June 30, 2014 as originally stated</b>	<b>8,179,668</b>	<b>8,179,668</b>	<b>8,421,181</b>	<b>241,513</b>
Restatement	-	-	(35,005)	(35,005)
<b>FUND BALANCE, June 30, 2014 as restated</b>	<b>8,179,668</b>	<b>8,179,668</b>	<b>8,386,176</b>	<b>206,508</b>
<b>FUND BALANCE, June 30, 2015</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,126,416</b>	<b>\$ 8,126,416</b>

### Reconciliation of budget basis to GAAP basis

Change in fund balance - budgetary basis	\$ (259,760)
Pension expense	145,074
Depreciation expense	(754,078)
Expenditures capitalized	136,721
Contributed assets	903,751
Principal payments on long-term obligations	872,415
Change in accrued interest on long-term obligations	10,700
Change in compensated absences	(2,984)
Amortization of debt premium	7,428
Change in net position - GAAP basis	<u>\$ 1,059,267</u>
 Fund balance - budgetary basis	 \$ 8,126,416
Net pension asset	110,458
Deferred outflows - pension	45,039
Deferred inflows - pension	(213,140)
Capital assets	52,570,668
Long-term obligations and related premium	(23,134,195)
Compensated absences	(37,612)
Accrued interest on long-term obligations	<u>(258,602)</u>
Net position - GAAP basis	<u>\$ 37,209,032</u>

# CITY OF SHERWOOD

Sherwood, Oregon

## SEWER FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2015

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 151,269	\$ 151,269	\$ -	\$ (151,269)
Charges for services	571,500	571,500	599,113	27,613
Infrastructure development fees	408,150	408,150	16,635	(391,515)
Interest and other	5,160	5,160	20,450	15,290
<b>TOTAL REVENUES</b>	<u>1,136,079</u>	<u>1,136,079</u>	<u>636,198</u>	<u>(499,881)</u>
<b>EXPENDITURES:</b>				
Operations	755,340	755,340	679,735	75,605
Capital	400,402	400,402	127,325	273,077
Contingency	3,198,341	3,198,341	-	3,198,341
<b>TOTAL EXPENDITURES</b>	<u>4,354,083</u>	<u>4,354,083</u>	<u>807,060</u>	<u>3,547,023</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE</b>	<u>(3,218,004)</u>	<u>(3,218,004)</u>	<u>(170,862)</u>	<u>3,047,142</u>
<b>FUND BALANCE</b> , June 30, 2014 as originally stated	3,218,004	3,218,004	3,370,222	152,218
Restatement	-	-	(12,177)	(12,177)
<b>FUND BALANCE</b> , June 30, 2014 as restated	<u>3,218,004</u>	<u>3,218,004</u>	<u>3,358,045</u>	<u>140,041</u>
<b>FUND BALANCE</b> , June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,187,183</u>	<u>\$3,187,183</u>

### Reconciliation of budget basis to GAAP basis

Change in fund balance - budgetary basis	\$ (170,862)
Pension expense	59,851
Depreciation expense	(176,858)
Expenditures capitalized	293,816
Contributed assets	368,314
Change in compensated absences	<u>1,729</u>
Change in net position - GAAP basis	<u>\$ 375,990</u>
 Fund balance - budgetary basis	 \$ 3,187,183
Net pension asset	45,570
Deferred outflows - pension	18,581
Deferred inflows - pension	(87,932)
Capital assets	13,419,526
Compensated absences	<u>(13,739)</u>
Net position - GAAP basis	<u>\$ 16,569,189</u>



# CITY OF SHERWOOD

Sherwood, Oregon

## STORM FUND

### SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2015

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Charges for services	\$ 1,598,800	\$ 1,598,800	\$ 1,727,594	\$ 128,794
Infrastructure development fees	32,600	32,600	7,652	(24,948)
Interest and other	10,343	10,343	13,243	2,900
<b>TOTAL REVENUES</b>	<u>1,641,743</u>	<u>1,641,743</u>	<u>1,748,489</u>	<u>106,746</u>
<b>EXPENDITURES:</b>				
Operations	1,669,386	1,669,386	1,043,042	626,344
Capital	725,674	725,674	661,072	64,602
Contingency	1,853,070	1,853,070	-	1,853,070
<b>TOTAL EXPENDITURES</b>	<u>4,248,130</u>	<u>4,248,130</u>	<u>1,704,114</u>	<u>2,544,016</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE</b>	<u>(2,606,387)</u>	<u>(2,606,387)</u>	<u>44,375</u>	<u>2,650,762</u>
<b>FUND BALANCE</b> , June 30, 2014 as originally stated	2,606,387	2,606,387	2,650,452	44,065
Restatement	-	-	(25,661)	(25,661)
<b>FUND BALANCE</b> , June 30, 2014 as restated	<u>2,606,387</u>	<u>2,606,387</u>	<u>2,624,791</u>	<u>18,404</u>
<b>FUND BALANCE</b> , June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,669,166</u>	<u>\$ 2,669,166</u>
Reconciliation of budget basis to GAAP basis				
Change in fund balance - budget basis			\$ 44,375	
Pension expense			80,810	
Depreciation expense			(207,844)	
Contributed assets			2,707,247	
Expenditures capitalized			956,864	
Change in compensated absences			(821)	
Change in net position - GAAP basis			<u>\$ 3,580,631</u>	
Fund balance - budget basis			\$ 2,669,166	
Net pension asset			61,528	
Deferred outflows - pension			25,088	
Deferred inflows - pension			(118,725)	
Capital assets			20,989,859	
Compensated absences			(19,710)	
Net position - GAAP basis			<u>\$ 23,607,206</u>	

**CITY OF SHERWOOD**

Sherwood, Oregon

**TELECOMMUNICATIONS FUND  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015**

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUES:</b>				
Charges for services	\$ 461,460	\$ 461,460	\$ 487,387	\$ 25,927
Interest	300	300	498	198
<b>TOTAL REVENUES</b>	<u>461,760</u>	<u>461,760</u>	<u>487,885</u>	<u>26,125</u>
<b>EXPENDITURES:</b>				
Personnel services	59,928	34,928	29,832	5,096
Materials and services	171,232	231,232	211,688	19,544
Capital outlay	40,000	10,000	-	10,000
Debt service	150,000	150,000	150,000	-
Contingency	74,260	69,260	-	69,260
<b>TOTAL EXPENDITURES</b>	<u>495,420</u>	<u>495,420</u>	<u>391,520</u>	<u>103,900</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE</b>	<u>(33,660)</u>	<u>(33,660)</u>	<u>96,365</u>	<u>130,025</u>
<b>FUND BALANCE</b> , June 30, 2014 as originally stated	33,660	33,660	71,250	37,590
Restatement	-	-	(4,159)	(4,159)
<b>FUND BALANCE</b> , June 30, 2014 as restated	<u>33,660</u>	<u>33,660</u>	<u>67,091</u>	<u>33,431</u>
<b>FUND BALANCE</b> , June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 163,456</u>	<u>\$ 163,456</u>

Reconciliation of budgetary basis to GAAP basis

Change in fund balance - budgetary basis	\$ 96,365
Pension expense	8,703
Depreciation expense	(22,651)
Principal payments on interfund loan	148,359
Change in compensated absences	<u>(646)</u>
Change in net position - GAAP basis	<u>\$ 230,130</u>
 Fund balance - budgetary basis	 \$ 163,456
Net pension asset	6,626
Deferred outflows - pension	2,702
Deferred inflows - pension	(12,786)
Capital assets	441,342
Compensated absences	(2,718)
Interfund loan payable	<u>(179,874)</u>
Net position - GAAP basis	<u>\$ 418,748</u>

## **OTHER INFORMATION**

**CITY OF SHERWOOD**

Sherwood, Oregon

**SCHEDULE OF PROPERTY TAX TRANSACTIONS  
YEAR ENDED JUNE 30, 2015**

<u>Tax Year</u>	<u>Uncollected Balances June 30, 2014</u>	<u>2014-15 Levy</u>	<u>Interest, Discounts &amp; Adjustments</u>	<u>Collections</u>	<u>Uncollected Balances June 30, 2015</u>
2014-15	\$ -	\$ 9,392,289	\$ (255,243)	\$ (8,963,959)	\$ 173,087
2013-14	211,005	-	2,255	(124,693)	88,567
2012-13	89,532	-	(1,105)	(28,392)	60,035
2011-12	65,201	-	(2,649)	(22,134)	40,418
2010-11	45,414	-	(6,313)	(8,459)	30,642
2009-10	32,387	-	253	(2,815)	29,825
Prior Years	<u>6,389</u>	<u>-</u>	<u>1,159</u>	<u>(2,781)</u>	<u>4,766</u>
Total	<u>\$ 449,928</u>	<u>\$ 9,392,289</u>	<u>\$ (261,643)</u>	<u>\$ (9,153,233)</u>	<u>\$ 427,341</u>

## **STATISTICAL SECTION**

**CITY OF SHERWOOD**  
Sherwood, Oregon

**STATISTICAL SECTION**

This part of the City of Sherwood's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, required supplementary information and supplementary information says about the City's overall financial health.

<b>Contents</b>	<b>Page</b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how financial performance has changed over time.	62-65
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.	66-69
<b>Debt Capacity</b> These schedules contain information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	70-73
<b>Demographic and Economic Information</b> This schedule offers demographic and economic indicators to help the reader understand the environment which the City's financial activities take place.	74
<b>Operating Information</b> This schedule contains service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	75

**CITY OF SHERWOOD**  
Sherwood, Oregon

**GOVERNMENT-WIDE NET POSITION  
LAST TEN FISCAL YEARS**

	2015	2014 (as restated)	2013	2012	2011	2010	2009	2008	2007	2006
Governmental activities										
Net investment in capital assets	\$ 60,544,602	\$ 52,214,555	\$ 52,838,930	\$ 53,808,000	\$ 50,616,029	\$ 14,235,108	\$ 12,402,695	\$ 11,348,565	\$ 15,812,783	\$ 22,135,098
Restricted	6,641,181	10,184,686	2,898,423	4,415,125	3,765,783	94,621	1,040,102	1,023,669	288,393	1,912,983
Unrestricted	2,002,438	3,887,504	9,119,548	6,412,820	6,315,572	(2,605,639)	(1,620,872)	391,698	1,768,706	(229,213)
Total governmental activities net position	<u>69,188,221</u>	<u>66,286,745</u>	<u>64,856,901</u>	<u>64,635,945</u>	<u>60,697,384</u>	<u>11,724,090</u>	<u>11,821,925</u>	<u>12,763,932</u>	<u>17,869,882</u>	<u>23,818,868</u>
Proprietary activities										
Net investment in capital assets	65,421,547	60,286,219	58,296,986	59,730,928	56,643,754	84,563,361	80,054,150	75,543,355	61,689,396	64,363,260
Restricted	4,557,700	4,508,411	3,939,196	3,218,306	-	10,501,066	12,792,835	12,859,547	14,281,995	-
Unrestricted	7,824,929	7,763,528	8,791,167	5,822,184	9,174,948	7,297,289	5,593,909	5,189,087	11,697,604	15,373,501
Total proprietary activities net position	<u>77,804,176</u>	<u>72,558,158</u>	<u>71,027,349</u>	<u>68,771,418</u>	<u>65,818,702</u>	<u>102,361,716</u>	<u>98,440,894</u>	<u>93,591,989</u>	<u>87,668,995</u>	<u>79,736,761</u>
Government-wide activities										
Net investment in capital assets	125,966,149	112,500,774	111,135,916	113,538,928	107,259,783	98,798,469	92,456,845	86,891,920	77,502,179	86,498,358
Restricted	11,198,881	14,693,097	6,837,619	7,633,431	3,765,783	10,595,687	13,832,937	13,883,216	14,570,388	1,912,983
Unrestricted	9,827,367	11,651,032	17,910,715	12,235,004	15,490,520	4,691,650	3,973,037	5,580,785	13,466,310	15,144,288
Total Government-wide activities net position	<u>\$ 146,992,397</u>	<u>\$ 138,844,903</u>	<u>\$ 135,884,250</u>	<u>\$ 133,407,363</u>	<u>\$ 126,516,086</u>	<u>\$ 114,085,806</u>	<u>\$ 110,262,819</u>	<u>\$ 106,355,921</u>	<u>\$ 105,538,877</u>	<u>\$ 103,555,629</u>

**CITY OF SHERWOOD**  
Sherwood, Oregon

**CHANGE IN NET POSITION  
LAST TEN FISCAL YEARS**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Expenses</b>										
Governmental activities:										
Administration	\$ 2,399,680	\$ 3,029,706	\$ 2,883,811	\$ 2,516,677	\$ 796,230	\$ 4,396,849	\$ 3,355,687	\$ 2,415,467	\$ 2,053,032	\$ (338,287)
Community Development	2,729,712	2,362,541	3,666,015	3,256,026	2,923,546	2,094,523	2,658,371	2,585,919	4,783,130	4,007,390
Public Safety	2,533,941	3,535,649	3,265,114	3,339,315	4,100,791	3,817,798	3,937,639	3,698,129	3,472,104	3,391,789
Community Services	1,369,635	1,423,661	1,431,554	1,446,959	1,765,099	1,717,317	1,678,574	1,652,687	1,481,816	1,162,873
Public Works	6,586,383	7,414,223	3,841,187	4,086,621	3,784,575	3,534,781	2,793,301	2,520,009	1,779,875	1,348,173
Interest on long-term obligations	817,135	809,553	1,091,076	1,081,817	1,503,754	1,131,451	1,548,302	2,432,283	425,622	684,535
Total governmental activities	16,436,486	18,575,333	16,178,757	15,727,415	14,873,995	16,692,719	15,971,874	15,304,494	13,995,579	10,256,473
Proprietary activities:										
Water	4,891,188	6,062,543	4,108,763	2,172,456	2,403,737	2,682,923	2,880,009	2,134,630	2,090,399	2,077,665
Sewer	628,522	610,702	549,521	495,249	397,484	456,138	526,200	1,833,247	2,660,082	2,914,907
Storm	875,105	1,094,161	942,614	929,770	985,975	671,150	659,026	699,162	903,635	788,883
Telecommunications	257,755	253,373	174,794	147,990	130,510	207,628	320,854	500,580	244,857	268,073
Total proprietary activities	6,652,570	8,020,779	5,775,692	3,745,465	3,917,706	4,017,839	4,386,089	5,167,619	5,898,973	6,049,528
<b>Total Expenses</b>	<b>\$ 23,089,056</b>	<b>\$ 26,596,112</b>	<b>\$ 21,954,449</b>	<b>\$ 19,472,880</b>	<b>\$ 18,791,701</b>	<b>\$ 20,710,558</b>	<b>\$ 20,357,963</b>	<b>\$ 20,472,113</b>	<b>\$ 19,894,552</b>	<b>\$ 16,306,001</b>
<b>Revenues</b>										
Governmental activities:										
Charges for services										
Administration	\$ 1,066,290	\$ 1,126,323	\$ 924,121	\$ 1,281,663	\$ 1,049,985	\$ 613,475	\$ 715,363	\$ 84,899	\$ 548,098	\$ 510,514
Community Development	446,008	687,417	535,078	331,001	313,117	263,475	729,620	702,458	827,567	694,236
Public Safety	17,037	8,303	22,655	8,219	15,565	48,975	54,208	52,205	93,455	150,148
Community Services	313,096	335,297	279,359	276,836	272,128	275,851	244,407	209,873	330,796	474,628
Public Works	616,609	632,329	574,717	525,855	43,254	478,161	533,745	346,230	27,493	19,702
Operating grants and contributions	2,887,486	2,768,146	2,566,862	2,450,372	3,737,468	2,930,611	1,502,756	1,158,996	2,375,635	1,322,764
Capital grants and contributions	3,075,352	2,836,247	1,240,908	4,236,522	4,363,569	1,314,967	3,070,470	391,689	623,535	1,092,203
General revenues and transfers	10,977,481	11,209,402	10,256,013	10,555,508	12,724,131	11,087,578	8,862,972	12,257,997	785,496	9,343,145
Total governmental activities	19,399,359	19,603,464	16,399,713	19,665,976	22,519,217	17,013,093	15,713,541	15,204,347	5,612,075	13,607,340
Proprietary activities:										
Charges for services										
Water	4,839,176	4,436,294	4,511,739	4,105,712	3,581,283	3,780,473	3,445,457	2,867,092	2,813,038	1,948,617
Sewer	599,113	575,710	554,285	523,271	444,953	456,512	329,064	1,497,143	2,170,669	2,063,012
Storm	1,727,594	1,619,100	1,525,022	1,418,566	1,340,927	1,330,603	559,283	479,548	584,780	566,645
Telecommunications	487,387	385,288	318,075	310,838	210,792	186,799	151,999	88,262	54,613	6,796
Operating grants and contributions	-	1,806,566	-	-	45,000	12,000	1,273,556	-	-	-
Capital grants and contributions	4,167,107	1,085,743	1,045,294	488,204	2,351,721	1,265,269	1,659,827	641,278	879,434	1,668,896
General revenues and transfers	78,211	69,954	77,208	(148,410)	216,741	488,796	1,132,128	3,966,596	9,763,189	548,541
Total proprietary activities	11,898,588	9,978,655	8,031,623	6,698,181	8,191,417	7,520,452	8,551,314	9,539,919	16,265,723	6,802,507
<b>Total Revenues</b>	<b>\$ 31,297,947</b>	<b>\$ 29,582,119</b>	<b>\$ 24,431,336</b>	<b>\$ 26,364,157</b>	<b>\$ 30,710,634</b>	<b>\$ 24,533,545</b>	<b>\$ 24,264,855</b>	<b>\$ 24,744,266</b>	<b>\$ 21,877,798</b>	<b>\$ 20,409,847</b>
<b>Change in Net Position</b>										
Governmental Activities	\$ 2,962,873	\$ 1,028,131	\$ 220,956	\$ 3,938,561	\$ 7,645,222	\$ 320,374	\$ (258,333)	\$ (100,147)	\$ (8,383,504)	\$ 3,350,867
Proprietary Activity	5,246,018	1,957,876	2,255,931	2,952,717	4,273,711	3,502,613	4,165,225	4,372,300	10,366,750	752,979
Total Net (Expense)/Revenue	\$ 8,208,891	\$ 2,986,007	\$ 2,476,887	\$ 6,891,277	\$ 11,918,933	\$ 3,822,987	\$ 3,906,892	\$ 4,272,153	\$ 1,983,246	\$ 4,103,846



**CITY OF SHERWOOD**  
Sherwood, Oregon

**GOVERNMENTAL FUND BALANCE**  
**LAST TEN FISCAL YEARS**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Fund:										
Nonspendable	\$ 179,874	\$ 328,233	\$ 475,664	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	138,653	209,973	176,427	127,704	75,640.00	-	-	-	-	-
Committed	-	7,230	68,596	3,500	-	-	-	-	-	-
Assigned	343	139	1,261	58,386	54,786	-	-	-	-	-
Unassigned	2,638,521	3,336,003	2,718,585	2,933,222	2,982,560	-	-	-	-	-
Unreserved	-	-	-	-	-	1,862,794	898,753	352,774	(900,143)	(1,332,856)
Total General Fund	<u>\$2,957,391</u>	<u>\$3,881,578</u>	<u>\$3,440,533</u>	<u>\$3,122,812</u>	<u>\$3,112,986</u>	<u>\$1,862,794</u>	<u>\$ 898,753</u>	<u>\$ 352,774</u>	<u>\$ (900,143)</u>	<u>\$ (1,332,856)</u>
Street Operations:										
Restricted	<u>\$ 1,744,507</u>	<u>\$ 1,548,453</u>	<u>\$ 1,284,919</u>	<u>\$ 987,889</u>	<u>\$ 458,649</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Urban Renewal Operations:										
Restricted	<u>\$ 1,619,260</u>	<u>\$ 3,657,028</u>	<u>\$ 3,778,239</u>	<u>\$ 1,857,026</u>	<u>\$ 3,718,401</u>	<u>\$ 1,810,913</u>	<u>\$ 2,792,649</u>	<u>\$ 1,185,706</u>	<u>\$ 1,005,607</u>	<u>\$ 516,792</u>
Street Capital:										
Restricted	\$ 2,296,941	\$ 3,201,383	\$ 2,195,410	\$ 2,335,296	\$ 4,110,698	\$ -	\$ -	\$ -	\$ -	\$ -
Assigned	-	-	-	-	114,316	-	-	-	-	-
Total Street Capital	<u>\$2,296,941</u>	<u>\$3,201,383</u>	<u>\$2,195,410</u>	<u>\$2,335,296</u>	<u>\$4,225,014</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Urban Renewal Capital:										
Restricted	<u>\$ -</u>	<u>\$ 508,904</u>	<u>\$ 508,904</u>	<u>\$ 3,078,268</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ 136,111	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	841,821	3,116,302	1,518,800	1,371,509	546,091	9,532	27,999	142,389	104,833	10,990
Committed	319,008	-	252,812	-	-	-	-	-	-	-
Assigned	-	-	244,466	251,383	498,317	-	-	-	-	-
Reserved	-	-	-	-	-	491,087	1,313,132	1,005,172	1,406,490	2,080,573
Unassigned	(10,615)	-	-	-	-	-	-	-	-	-
Total Other Governmental Funds	<u>\$ 1,150,214</u>	<u>\$ 3,116,302</u>	<u>\$ 2,152,189</u>	<u>\$ 1,622,892</u>	<u>\$ 1,044,408</u>	<u>\$ 500,619</u>	<u>\$ 1,341,131</u>	<u>\$ 1,147,561</u>	<u>\$ 1,511,323</u>	<u>\$ 2,091,563</u>

(a) The Street Operations and capital funds were created in 2011 as Governmental Funds. In prior years they were shown as programs in the Street Enterprise Fund.

(b) The Urban Renewal Capital fund was created in 2012 as a Governmental Fund. In prior years it was shown as a part of the Urban Renewal General Fund.

**CITY OF SHERWOOD**  
Sherwood, Oregon

**CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Revenues:</b>										
Property taxes	\$ 9,155,253	\$9,250,482	\$8,375,347	\$8,400,078	\$8,223,769	\$7,975,681	\$7,366,025	\$ 7,231,552	\$ 6,502,468	\$ 5,588,362
Franchises and fees	1,544,203	1,592,483	1,580,367	1,574,434	1,471,115	1,578,593	1,392,530	1,348,651	1,250,409	1,091,898
Intergovernmental	2,887,486	2,768,145	2,594,181	4,999,094	4,072,817	1,548,654	417,679	1,376,518	2,458,024	1,934,273
Charges for services	1,411,682	1,760,618	1,474,026	1,203,285	618,975	819,818	934,562	1,178,892	1,057,628	966,900
Infrastructure development fees	544,726	2,836,246	666,200	233,533	800,843	239,299	1,049,026	407,344	602,458	1,245,926
Fines and forfeitures	1,047,358	1,029,052	861,904	1,224,727	1,020,855	347,328	454,802	390,651	532,392	466,995
Interest on investments	68,893	77,077	97,290	63,081	57,322	43,515	132,931	234,162	227,162	519,194
Miscellaneous	230,507	260,899	226,069	213,930	364,090	113,006	310,963	87,493	19,014	108,768
<b>Total Revenues</b>	<b>16,890,108</b>	<b>19,575,002</b>	<b>15,875,384</b>	<b>17,912,162</b>	<b>16,629,786</b>	<b>12,665,894</b>	<b>12,058,518</b>	<b>12,255,263</b>	<b>12,649,555</b>	<b>11,922,316</b>
<b>Expenditures:</b>										
Current:										
Administration	2,598,192	2,447,546	2,166,821	2,571,542	3,372,963	3,148,951	2,840,300	1,672,916	-	-
Community development	1,424,929	1,126,553	992,193	784,847	1,275,027	1,437,184	1,846,610	2,404,042	-	-
Public safety	3,379,100	3,485,772	3,259,944	3,220,610	4,039,547	3,696,119	3,841,057	3,774,378	-	-
Community services	1,441,834	1,169,915	1,181,814	1,167,801	1,517,075	1,426,069	1,420,789	1,345,098	-	-
Pulic works	2,812,908	3,116,834	2,290,168	2,431,579	1,969,097	802,833	737,027	820,622	-	-
Personal services (a)	-	-	-	-	-	-	-	-	9,635,581	10,350,502
Materials and services (a)	-	-	-	-	-	-	-	-	212,669	492,486
Capital outlay	6,648,240	3,784,613	3,915,065	8,136,079	4,187,315	1,003,722	-	594,508	864,538	6,189,850
Debt service - principal	1,913,378	1,841,517	7,032,912	3,163,663	4,460,545	2,281,619	3,359,566	2,815,759	2,484,867	2,233,509
Debt service - interest	754,369	821,237	1,219,706	904,713	1,254,359	1,029,976	495,397	505,086	55,940	145,091
Reimbursements	-	-	-	-	-	-	-	-	(1,245,328)	(1,216,183)
<b>Total Expenditures</b>	<b>20,972,950</b>	<b>17,793,987</b>	<b>22,058,624</b>	<b>22,380,834</b>	<b>22,075,928</b>	<b>14,826,473</b>	<b>14,540,746</b>	<b>13,932,409</b>	<b>12,008,267</b>	<b>18,195,255</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(4,082,842)</b>	<b>1,781,015</b>	<b>(6,183,240)</b>	<b>(4,468,672)</b>	<b>(5,446,142)</b>	<b>(2,160,579)</b>	<b>(2,482,228)</b>	<b>(1,677,146)</b>	<b>641,288</b>	<b>(6,272,939)</b>
<b>Other Financing Sources (Uses)</b>										
Issuance of long-term debt	-	-	5,619,298	4,085,972	4,229,555	1,000,000	6,065,000	-	-	-
Proceeds from capital lease	-	-	83,733	80,938	-	-	-	-	-	-
Sale of capital assets	204,500	-	533,489	-	-	-	-	-	-	1,713,695
Transfers in	4,151,500	2,505,726	429,485	895,122	2,889,027	859,338	3,596,098	584,479	-	731,671
Transfers out	(4,151,500)	(2,505,726)	(423,787)	(677,695)	(302,317)	(556,967)	(4,832,377)	-	(300,000)	(641,446)
<b>Total Other Financing Sources (Uses)</b>	<b>204,500</b>	<b>-</b>	<b>6,242,218</b>	<b>4,384,337</b>	<b>6,816,265</b>	<b>1,302,371</b>	<b>4,828,721</b>	<b>584,479</b>	<b>(300,000)</b>	<b>1,803,920</b>
<b>Net change in fund balances</b>	<b>\$ (3,878,342)</b>	<b>\$ 1,781,015</b>	<b>\$ 58,978</b>	<b>\$ (84,335)</b>	<b>\$ 1,370,123</b>	<b>\$ (858,208)</b>	<b>\$ 2,346,493</b>	<b>\$ (1,092,667)</b>	<b>\$ 341,288</b>	<b>\$ (4,469,019)</b>
<b>Ratio of debt service to non-capital expenditures</b>	<b>23%</b>	<b>23%</b>	<b>83%</b>	<b>40%</b>	<b>47%</b>	<b>32%</b>	<b>36%</b>	<b>33%</b>	<b>30%</b>	<b>25%</b>

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

**CITY OF SHERWOOD**  
Sherwood, Oregon

**ASSESSED AND ESTIMATED ACTUAL VALUE OF PROPERTY  
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	Assessed Value			Estimated Real Market Value (RMV)	Total Direct Tax Rate	Ratio of Total Assessed Value to Total Estimated	Estimated Actual Value Per Capita	URA Assessed Value (a)
	Real Property	Personal Property, Manufactured Homes and Utility	Total Assessed Value			Actual Value (b)		
2015	\$ 1,585,147,450	\$ 99,742,536	\$ 1,684,889,986	\$ 2,345,831,747	\$ 3.457	71.8%	\$ 122,947	\$ 206,974,813
2014	1,531,902,480	86,359,548	1,618,262,028	2,105,890,812	3.432	76.8	113,372	204,412,301
2013	1,462,572,520	83,782,363	1,546,354,883	1,997,911,773	3.482	77.4	109,385	171,273,361
2012	1,426,895,660	42,941,979	1,469,837,639	2,050,439,679	3.502	71.7	112,322	175,303,760
2011	1,390,201,260	88,302,603	1,478,503,863	2,176,404,364	3.549	67.9	119,622	166,693,864
2010	1,340,834,750	93,873,573	1,434,708,323	2,299,242,753	3.562	62.4	138,176	162,832,828
2009	1,291,402,080	80,382,741	1,371,784,821	2,480,684,514	3.539	55.3	151,077	122,130,330
2008	1,232,396,640	75,704,328	1,308,100,968	2,447,653,225	3.723	53.4	149,566	122,130,330
2007	1,158,876,970	70,374,662	1,229,251,632	2,181,671,499	3.777	56.3	135,381	122,130,330
2006	1,057,361,030	70,294,192	1,127,655,222	1,696,960,871	3.887	66.5	113,585	82,828,438

(a) The City of Sherwood Urban Renewal Agency (URA) began operations on July 1, 2001. The amount shown as URA assessed value is the portion of the total assessed value attributable to the URA. Tax revenue on this value is restricted to urban renewal activities.

(b) Ballot Measure 50, implemented in the fiscal year ended June 30, 1998, limited assessed value.

Source: Washington County Assessment and Taxation

**CITY OF SHERWOOD**  
Sherwood, Oregon

**PROPERTY TAX RATES  
DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	City of Sherwood			Washington County and Other Governmental Entities			Education			Total
	Permanent Rate (a)	Debt Service (b)	Total City	Permanent Rate	Debt Service	Total County	Permanent Rate	Debt Service	Total Education	
2015	\$ 2.9257	\$ 0.5309	\$ 3.4566	\$ 6.4513	\$ 0.3388	\$ 6.7901	\$ 4.6572	\$ 3.9446	\$ 8.6018	\$ 18.8485
2014	2.8810	0.5513	3.4323	6.3964	0.4670	6.8634	4.5860	3.8966	8.4826	18.7783
2013	2.9323	0.5497	3.4820	6.3451	0.5148	6.8599	4.6676	3.9034	8.5710	18.9129
2012	2.9168	0.5848	3.5016	6.4158	0.5027	6.9185	4.6430	3.8874	8.5304	18.9505
2011	2.9258	0.6231	3.5489	6.3943	0.8894	7.2837	4.6573	3.6122	8.2695	19.1021
2010	2.9233	0.6390	3.5623	6.4159	0.6134	7.0293	4.6534	3.9537	8.6071	19.1987
2009	2.9428	0.5964	3.5392	6.2872	0.5322	6.8194	4.6844	3.7533	8.4377	18.7963
2008	2.9574	0.7652	3.7226	6.2681	0.6343	6.9024	4.7077	3.8792	8.5869	19.2119
2007	2.9699	0.8074	3.7773	5.4245	0.4723	5.8968	4.7276	2.2182	6.9458	16.6199
2006	3.0553	0.8315	3.8868	5.4766	0.5291	6.0057	4.8636	2.2465	7.1101	17.0026

(a) This is the permanent rate, which funds general operations. Permanent rates were fixed by the State in 1997 when property tax limitation measures were approved by the voters. No action of the City can increase the permanent rate from 3.2975.

(b) Debt service levies are used for payments on general obligation bonds. The City may levy whatever rate is needed to pay debt service on these voter-approved bonds.

**CITY OF SHERWOOD**

Sherwood, Oregon

**PRINCIPAL TAXPAYERS  
CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	2015			2006		
	Taxable Assessed Value	Rank	Percentage of Total Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Assessed Value
Portland General Electric	\$ 23,280,000	1	1.4%	\$ 8,822,000	7	0.8%
MGP X Properties LLC	19,256,520	2	1.1%	13,552,380	1	1.2%
Target Corporation	16,242,715	3	1.0%	13,080,081	2	1.2%
Bir Sunfield, LLC	16,213,470	4	1.0%	12,064,390	3	1.1%
Creekview Crossing SPE LLC	13,578,460	5	0.8%			
Allied Systems Company	11,319,760	6	0.7%	10,245,080	5	0.9%
Juniper Ridge Investments, LLC	10,904,570	7	0.6%	8,357,490	8	0.7%
Home Depot	10,055,308	8	0.6%	8,319,663	9	0.7%
FPWL Sherwood LLC	9,633,730	9	0.6%			
Comcast Corp	9,546,700	10	0.6%			
NW Natural Gas				10,158,300	6	0.9%
BMC West Corporation				10,673,839	4	0.9%
Jeffery G/Jaynie A Wirkkala				6,498,610	10	0.6%
	<u>\$ 140,031,233</u>		<u>8.3%</u>	<u>\$ 101,771,833</u>		<u>9.0%</u>

**CITY OF SHERWOOD**  
Sherwood, Oregon

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

<u>Fiscal Year Ended June 30</u>	<u>Taxes Levied</u>	<u>Current Tax Collections</u>	<u>Percent of Current Taxes Collected</u>	<u>Delinquent Tax Collections/Adj/ Discounts/Interest</u>	<u>Total Tax Collections</u>	<u>Outstanding Delinquent Taxes</u>	<u>Ratio of Total Tax Collections to Total Tax Levy</u>
<b>City of Sherwood:</b>							
2015	\$ 5,830,966	\$ 5,565,047	95.4%	\$ 158,461	\$ 5,723,508	\$ 107,458	98.2%
2014	5,640,111	5,352,760	94.9%	234,946	5,587,706	52,405	99.1%
2013	5,389,489	5,130,153	95.2%	221,830	5,351,983	37,506	99.3%
2012	5,318,795	4,958,717	93.2%	335,194	5,293,911	24,884	99.5%
2011	5,255,367	4,967,960	94.5%	268,322	5,236,282	19,085	99.6%
Prior Years						21,550	
<b>Sherwood Urban Renewal Agency:</b>							
2015	\$ 3,561,323	\$ 3,398,911	95.4%	\$ 96,782	\$ 3,495,693	\$ 65,630	98.2%
2014	3,891,961	3,693,675	94.9%	162,125	3,855,800	36,161	99.1%
2013	3,237,484	3,081,701	95.2%	133,254	3,214,955	22,529	99.3%
2012	3,320,192	3,157,865	95.1%	146,793	3,304,658	15,534	99.5%
2011	3,182,555	3,002,910	94.4%	168,088	3,170,998	11,557	99.6%
Prior Years						13,040	

Source: Washington County Assessment and Taxation

**CITY OF SHERWOOD**  
Sherwood, Oregon

**RATIO OF DEBT SERVICE EXPENDITURES TO GENERAL GOVERNMENTAL EXPENDITURES  
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	Bonded Debt ( a )			Loans/Notes Payable ( b )			Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service General Governmental Expenditures	
	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service			Bonded Debt	Total Debt
2015	\$ 780,000	\$ 114,393	\$ 894,393	\$ 1,133,378	\$ 639,976	\$ 1,773,354	\$ 2,667,747	\$ 18,305,203	4.9%	14.6%
2014	755,000	136,969	891,969	1,158,378	680,166	1,838,544	2,730,513	20,882,003	4.3%	13.1%
2013	735,000	157,625	892,625	6,426,542	933,451	7,359,993	8,252,618	22,058,623	4.0%	37.4%
2012	705,000	182,897	887,897	1,434,362	898,920	2,333,282	3,221,179	22,380,834	4.0%	14.4%
2011	3,050,000	243,091	3,293,091	18,912,857	1,284,595	20,197,452	23,490,543	22,045,928	14.9%	106.6%
2010	670,000	266,070	936,070	1,734,792	1,141,548	2,876,340	3,812,410	15,076,475	6.2%	25.3%
2009	655,000	283,501	938,501	1,674,606	1,094,784	2,769,390	3,707,891	14,540,746	6.5%	25.5%
2008	655,000	301,139	956,139	1,565,945	1,133,197	2,699,142	3,655,281	13,337,901	7.2%	27.4%
2007	645,000	317,239	962,239	1,325,761	1,018,090	2,343,851	3,306,090	12,008,267	8.0%	27.5%
2006	595,000	343,230	938,230	1,209,368	571,530	1,780,898	2,719,128	7,610,122	12.3%	35.7%

( a ) All bonded debt is general obligation debt, and not subject to the limitations on property tax imposed by Measure 50.

( b ) Notes payable are being repaid from specific sources, including rent of buildings, parks system development charges, and Urban Renewal Agency property tax increment revenue. All notes are full faith and credit obligations of the City.

**CITY OF SHERWOOD**  
Sherwood, Oregon

**RATIO OF DEBT TO ASSESSED VALUE AND DEBT PER CAPITA  
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	Population	Assessed Value	Bonded Debt (a)	Less Debt Service Fund	Net Bonded Debt	Governmental Activities Notes Payable (b)	Proprietary Activities Notes Payable (b)	Total Obligation	Ratio of Debt to Assessed Value		Debt Per Capita	
									Net Bonded Debt	Total Obligation	Net Bonded Debt	Total Obligation
2015	19,080	\$ 1,684,889,986	\$ 2,645,000	\$ -	\$ 2,645,000	\$ 20,594,334	\$ 22,978,399	48,862,733	0.2%	2.9%	\$ 139	\$ 2,561
2014	18,955	1,618,262,028	3,425,000	10,101	3,416,568	25,152,712	23,850,814	49,074,771	0.2%	3.0%	180	2,589
2013	18,575	1,546,354,883	4,180,000	8,432	4,171,568	22,959,865	24,701,435	51,832,868	0.3%	3.4%	225	2,790
2012	18,265	1,469,837,639	4,915,000	49,241	4,865,759	23,867,009	25,525,860	54,258,628	0.3%	3.7%	266	2,971
2011	18,255	1,478,503,863	5,620,000	47,382	5,572,618	22,302,146	26,239,664	54,114,428	0.4%	3.7%	305	2,964
2010	18,194	1,434,708,323	6,365,000	9,532	6,355,468	24,777,515	16,383,045	47,516,028	0.4%	3.3%	349	2,612
2009	16,700	1,371,784,821	7,035,000	27,999	7,007,001	28,359,751	10,477,015	45,843,767	0.5%	3.3%	420	2,745
2008	16,640	1,308,100,968	7,690,000	124,389	7,565,611	18,355,164	10,000,000	35,920,775	0.6%	2.7%	455	2,159
2007	16,420	1,229,251,632	8,345,000	104,833	8,240,167	19,921,293	10,000,000	38,161,460	0.7%	3.1%	502	2,324
2006	16,365	1,127,655,222	8,990,000	10,990	8,979,010	13,041,868	10,000,000	32,020,878	0.8%	2.8%	549	1,957

(a) All bonded debt is general obligation debt, and not subject to the limitations on property tax imposed by Measure 50.

(b) Notes payable are being repaid from specific sources, including rent of buildings, parks system development charges, and Urban Renewal Agency property tax increment revenue. All notes are full faith and credit obligations of the City.



**CITY OF SHERWOOD**

Sherwood, Oregon

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT****June 30, 2015**

<u>Jurisdiction</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable To City of Sherwood*</u>	<u>Amount Applicable to City of Sherwood</u>
Overlapping debt			
Metro	\$ 2,412,243	1.08%	\$ 26,052
Northwest Regional ESD	121,486	2.56%	3,110
Port of Portland	648,193	0.99%	6,417
Portland Community College	6,163,519	1.35%	83,208
Tualatin Valley Fire and Rescue District	2,089,270	3.66%	76,467
Washington County	2,834,204	3.22%	91,261
School District 88J	58,965,980	55.91%	32,967,879
Subtotal, overlapping debt			33,254,395
City of Sherwood direct debt			23,607,972
Total direct and overlapping debt			<u>\$56,862,367</u>

\*Source: Oregon State Treasury, Municipal Debt Advisory Commission

**CITY OF SHERWOOD**

Sherwood, Oregon

**COMPUTATION OF LEGAL DEBT MARGIN**

**June 30, 2015**

Fiscal Year	Total Taxable Assessed Value	Taxable Assessed Value as a Percentage of Estimated Real Market Value	Estimated Real Market Value
2015	\$ 1,684,889,986	72%	\$ 2,345,831,747
2014	1,618,262,028	77%	2,105,890,812
2013	1,546,354,883	77%	1,997,911,773
2012	1,469,837,639	72%	2,050,439,679
2011	1,478,503,863	68%	2,176,404,364
Debt limitations (3% of total real market value)			\$ 70,374,952
Outstanding Governmental Activities-General Obligation Debt			2,645,000
Net debt margin			\$ 67,729,952
Percentage of net debt margin available			96.24%
Percentage of net debt power exhausted			3.76%

**Last Ten Fiscal Years**

Year	Debt Limit	Outstanding Indebtness June 30	Percentage of Net Debt Margin Available
2015	\$ 70,374,952	\$ 2,645,000	96.24%
2014	63,176,724	3,425,000	94.58%
2013	59,937,353	4,180,000	93.03%
2012	61,513,190	4,915,000	92.01%
2011	65,292,131	5,620,000	91.39%
2010	68,977,283	6,365,000	90.77%
2009	74,420,535	7,035,000	90.55%
2008	73,429,597	7,690,000	89.53%
2007	65,450,145	8,345,000	87.25%
2006	50,908,826	8,990,000	82.34%

**CITY OF SHERWOOD**

Sherwood, Oregon

**DEMOGRAPHIC STATISTICS  
LAST TEN FISCAL YEARS**

<u>July 1</u>	<u>Population (a)</u>	<u>Calendar Year</u>	<u>Median Age (b)</u>	<u>Average Household Size (b)</u>	<u>Per Capita Income</u>	
					<u>City of Sherwood</u>	<u>Washington County (b)</u>
2015	19,080	2015				
2014	18,955	2014				
2013	18,575	2013				
2012	18,265	2012				
2011	18,255	2011				
2010	18,194	2010	32.1	2.8	\$ 32,525	\$ 30,900
2009	16,640	2009				
2008	16,420	2008				
2007	16,365	2007				
2006	16,115	2006				

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

(b) Source: US Census through ESRI

Census data is only available every ten years. Median age, average household size, and per capita income is only available from the census report.

**CITY OF SHERWOOD**  
Sherwood, Oregon

**MISCELLANEOUS STATISTICS**  
**June 30, 2015**

Date of incorporation	1893									
Form of government	Council/Manager									
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Number of employees	106	98	95	96	96	94	88	89	89	93
Area in square miles	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.3	4.2
Miles of street	55	55	55	55	50	50	50	50	50	54
Culture and recreation:										
Senior/teen centers	2	2	2	2	2	2	2	2	2	2
Recreation centers	3	2	2	2	2	2	2	2	2	2
Acres of sports fields	55	55	55	55	61	61	61	54	54	26
Acres of maintained passive parks	57	57	57	57	67	67	67	67	67	67
Fire protection by Tualatin Valley Fire and Rescue:										
Number of stations in the City of Sherwood	1	1	1	1	1	1	1	1	1	1
Police protection:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Services provided by School District 88J:										
Number of elementary schools in the City	4	4	4	4	4	4	3	3	3	3
Number of middle and high schools in the City	3	3	3	3	3	3	2	2	2	2

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



**Talbot, Korvola  
& Warwick, LLP**

Certified Public Accountants  
& Consultants

**ACHIEVE MORE**

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

P 503.274.2849  
F 503.274.2853

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

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

City Council  
City of Sherwood  
Sherwood, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sherwood, Oregon (the City), as of and for the year ended June 30, 2015, and have issued our report thereon dated January 29, 2016.

### **COMPLIANCE**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

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

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

Overexpenditures of appropriations in the following funds:

#### General Fund

Administration	\$ 186
Community development	17,180

#### Street Operations Fund

Capital outlay	350,754
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#### Urban Renewal Operations Fund

Personal services	2,033
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Deficit fund balance in the debt service fund of \$10,615.

An Independently Owned Member  
**MCGGLADREY ALLIANCE**

 **McGladrey**

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

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

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

**RESTRICTIONS ON USE**

This report is intended solely for the information and use of the City Council, 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, Korvol & Warwick, LLP*

Lake Oswego, Oregon  
January 29, 2016