



*Home of the Tualatin River National Wildlife Refuge*

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2017



**CITY OF SHERWOOD**

Sherwood, Oregon

Comprehensive Annual Financial Report

Year Ended June 30, 2017

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](http://www.sherwoodoregon.gov)

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

**Assistant City Manager**  
Tom Pessemier

December 18, 2017

Citizens of Sherwood  
Honorable Mayor  
Members of the City Council

It is our pleasure to present you with the Fiscal Year 2017 Comprehensive Annual Financial Report (CAFR). This report documents the financial position of the City as of June 30, 2017 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, 2017. This report is statutorily required to be completed within six months of the end of the fiscal year unless an extension is authorized. This report meets that deadline.

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

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

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

This report is the seventh 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, 2017. 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 19,145 located in Washington County, Oregon. It thrives in the same economic environment as the nearby 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 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 (URA or the 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 is currently completing some small projects and divesting of property acquired by the URA. The Agency uses tax increment revenues as their sole funding source and has outstanding debt which is anticipated to be paid off in 2022. The URA will shut down shortly after the debt is paid off and all remaining assets will transfer to the City of Sherwood.

The annual budget serves as the foundation for the City's financial planning and control. The department heads of the City submit requests for appropriation to the City Manager. The City Manager, along with the Finance Director and the Senior Leadership Team, develop a balanced budget for the following year. The proposed budget is then reviewed and approved by the budget committee (consisting of the City Council and an equal number of appointed citizen members) in a series of open public meetings. An additional public hearing and approval by the City Council are necessary for final budget adoption prior to June 30<sup>th</sup> of each year. Changes to the adopted budget are governed by Local Budget Law state statute and require City Council approval. Budget-to-actual comparisons are provided in this report for each individual fund for which an appropriated annual budget has been adopted.

## **ECONOMIC ENVIRONMENT**

The City of Sherwood was able to come through the recession of the last decade relatively well due to stable property tax revenues and to responsible fiscal management. Development has continued and is expected to increase over the next few years. The two main revenue sources for general government purposes are property taxes and franchise fees. Property taxes have moderately increased as new developments are added to the tax rolls and franchise fees have shown a slow increase as well.

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. As of December 2016 Sherwood's Median Household Income (MHI) was \$84,360. This is 67% higher than the state MHI at \$50,521 and 29% higher than Washington County at \$65,272. Sherwood is considered one of the more affluent communities in the State and is in the top 20 cities for household income in the State of Oregon. The income bracket of \$100,000 - \$149,999 accounts for 23.8% 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 (34%) is the cushion that keeps the City's tax receipts from falling.



Table A Current Tax Year (2016-17) Value Comparison (In Millions of Dollars)		
	Market Value	Assessed Value
Residential	\$ 2,033	\$ 1,370
Commercial/Industrial	475	296
All Other	269	175
Totals	<u>\$ 2,777</u>	<u>\$ 1,841</u>
The difference between Market and Assessed Values is \$936 million, or 34% of Market Value		
Source: Washington County Assessment and Taxation		

Top 10 Property Owners Based on FY16-17 Assessed Value (In Thousands of Dollars)		
Taxpayer	Assessed Value	Percentage of Total Assessed Value
WalMart Stores, Inc	\$26,967,985	1.5%
MGP X Properties LLC	20,774,170	1.1%
Portland General Electric	19,682,000	1.1%
Bir Sunfield, LLC	17,200,860	0.9%
Target Corporation	16,950,847	0.9%
Creekview Crossing SPE LLC	14,405,380	0.8%
Allied Systems Company	11,831,940	0.6%
Juniper Ridge Investments, LLC	11,568,640	0.6%
Home Depot	10,190,113	0.6%
Comcast Corp	9,849,800	0.5%
Total	<u>\$ 159,421,735</u>	<u>8.7%</u>
Source: Washington County Assessment and Taxation		

Franchise fees, another key source of revenue for general government purposes are showing a slight increase. This reflects an economic environment in which consumption of utility services is stable.

## CURRENT ECONOMIC DEVELOPMENT ACTIVITIES

The City of Sherwood is located in one of the most prosperous counties in Oregon and is poised for commercial, industrial and residential growth. Sherwood has the land and the infrastructure to serve commercial and industrial growth and the completion of 124<sup>th</sup> Avenue will provide increased freight access to Interstate 5 and other important transportation links.

**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 brokers and developers are currently marketing the properties. This area has two large lot industrial sites which are in short supply in the Metro region. One of the sites is under contract and is expected to develop slowly over the next 5 years. The construction of 124<sup>th</sup> Avenue, which is currently underway, will open up this area to industrial development. This area is outside of the City limits but the voters have passed the citywide annexation vote requirement. Developers are expected to apply for annexation to the City of Sherwood as they near construction for the site.

**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.

**Hampton Inn:** Sherwood will have its first hotel when the Hampton Inn opens in late 2018. Approximately 73 rooms will support the tourism industry in the Sherwood area. Construction on the site is expected to begin within the next month.

**Residential Growth:** The residential growth in Sherwood has been higher than most other cities in the state over the past 10 – 20 years. However, available land for residential needs inside the City limits is quickly dwindling. Metro will be making a UGB expansion decision in 2018 which may bring additional developable land into Sherwood. North of Sherwood, the River Terrace neighborhood of Tigard is developing quickly and we expect that to bring additional commercial shopping activity into Sherwood.

**Brookman area residential growth:** A portion of the Brookman area has been annexed and development plans are expected to be submitted in 2018.

**Sherwood West Residential Expansion Infrastructure:** Sherwood West contains 1,291 acres now in urban reserves, but is not slated to be included in the City's urban growth boundary until 2018 and beyond. Once included it will open up a westward expansion of residential lands.

**Cedar Creek Plaza:** A 50,000 square foot retail shopping center development will be constructed adjacent to a proposed Assisted Living Facility. The main anchor store of the shopping center is still to be determined and site grading for the project has recently begun.

**Cannery Property Projects:** 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 Center for the Arts 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 up 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. There are a number of lots that the Urban Renewal Agency expects to sell in the next 5-10 years for retail/office purposes.

## CRITICAL FINANCIAL INFORMATION

**Budget:** The total City budget for Fiscal Year 2017 (FY17) is \$47 million. Only \$14.5 million (31%) of the revenue supporting the budget is available for general purposes. The remaining portion of the budget (\$32.5 million) is constrained by statute or loan covenants to specific purposes, primarily infrastructure construction and maintenance.

**Debt:** As of June 30, 2017, the City had outstanding general obligation debt of \$1.0 million and outstanding notes payable of \$38.4 million. Total debt was \$39.4 million. The General Obligation debt is repaid from dedicated, voter-approved property tax assessments. The notes payable debt is repaid from tax increment financing and utility user fees. In October of 2016, Moody's Investors Services affirmed the City's Aa3 rating on General Obligation Bonds.

**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 ending June 30, 2017. 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, 2016. This was the fifth 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 2016-17. This was the 15th 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



Katie Henry  
Finance Director



Government Finance Officers Association

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

Presented to

**City of Sherwood  
Oregon**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

*Christopher P. Morill*

Executive Director/CEO

## 2017 CITY OF SHERWOOD

### CITY OFFICIALS JUNE 30, 2017

#### ELECTED OFFICIALS

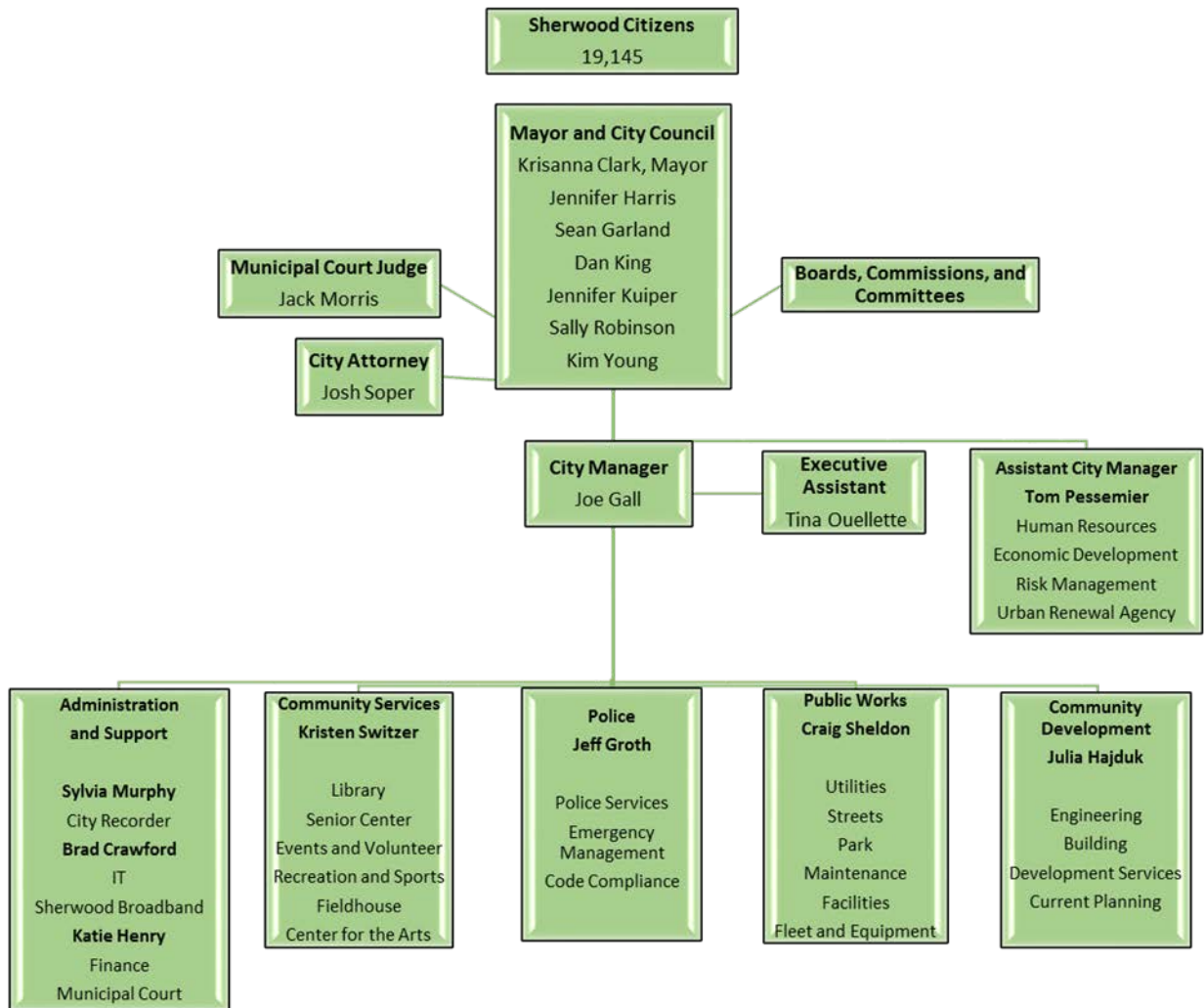
Name	Term Expires
Mayor Krisanna Clark-Endicott	December 31, 2018
Councilor Sally Robinson	December 31, 2018
Councilor Jennifer Harris	December 31, 2018
Councilor Jennifer Kuiper	December 31, 2018
Councilor Dan King	December 31, 2020
Councilor Sean Garland	December 31, 2020
Councilor Kim Young	December 31, 2020

#### PRINCIPAL ADMINISTRATIVE OFFICIALS

Name	Title
Joseph Gall, ICMA-CM	City Manager
Katie Henry	Finance Director
Josh Soper	City Attorney

**All may be reached at:**  
22560 SW Pine St  
Sherwood, OR 97140

## 2017 CITY OF SHERWOOD ORGANIZATION CHART



## **FINANCIAL SECTION**

**INDEPENDENT AUDITOR'S REPORT**





**Talbot, Korvola  
& Warwick, LLP**

Certified Public Accountants  
& Consultants

4800 Meadows Road  
Suite 200  
Lake Oswego, OR 97035

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, 2017, 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 presentation of the financial statements.

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

### **OPINIONS**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2017, 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.



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

City Council  
City of Sherwood  
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### **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), and Schedule of Plan Contributions, 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 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 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, and other financial schedules, collectively presented as Other Supplementary Information, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Other Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

City Council  
City of Sherwood  
Page 3

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

#### ***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 December 18, 2017, 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   
Timothy R. Gillette, Partner

Lake Oswego, Oregon  
December 18, 2017

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

## **CITY OF SHERWOOD, OREGON**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017**

This section of the City of Sherwood's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2017 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, 2017 ("FY17"). 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 the City exceed total liabilities and deferred inflows at the close of FY17 by \$149.5 million (net position). Of this amount, \$7.6 million may be used to meet the City's ongoing obligations to its citizens and creditors (unrestricted net position).
- Current assets were \$31.8 million at the end of FY17. Of that amount, \$29.4 million (92%) of current assets were in cash and investments. Sherwood's current assets increased by \$1.6 million (4.9%) during FY17. This is primarily due to prudent fiscal management, limited capital projects, and increased revenues from taxes and franchise fees.
- Sherwood had capital and long-term assets (net of depreciation) of \$167.7 million at the end of FY17. Sherwood's capital and long-term assets decreased by \$3.9 million (2.3%) during FY17 (after restatement). The primary reason for the decrease is depreciation on infrastructure and buildings.

##### **At the Consolidated Fund Level**

- In the aggregate, the governmental funds' ending fund balance was \$10.8 million, an increase of approximately \$53 thousand (0.5%) for the fiscal year.
- In the aggregate, the Proprietary funds' ending fund balance equivalent, *Net Position*, was \$82.7 million, an increase of \$2.4 million (3%) after restatement for the year.
- Total Property Tax revenue was \$9.81 million, an increase of \$1.82 million (23%) from FY16 levels. This increase is primarily due to an increase in the amount levied for the Sherwood Urban Renewal Agency (URA). Incomplete reporting by the City to the County Assessor resulted in a one-time decrease in the URA levy in FY16.

#### **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 made up 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 JUNE 30, 2017

#### 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 ending June 30, 2017.

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.

**CITY OF SHERWOOD, OREGON**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

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

**Statement of Net Position**

Table 1 shows that the City's total net position increased from \$148.8 million as restated to \$149.5 million during FY17. This was an increase of \$0.7 million or .49%.

<b>Table 1</b> <b>Sherwood's Net Position</b> At Fiscal Year End (June 30, 2017 and 2016) <i>In Millions of Dollars</i>						
	<b>Governmental Activities</b>		<b>Proprietary Activities</b>		<b>Total</b>	
	<b>2017</b>	<b>2016 (as restated)</b>	<b>2017</b>	<b>2016 (as restated)</b>	<b>2017</b>	<b>2016 (as restated)</b>
<b>ASSETS:</b>						
Current assets	\$ 12.6	\$ 13.1	\$ 19.3	\$ 17.2	\$ 31.9	\$ 30.2
Capital and long-term assets	<u>80.3</u>	<u>84.3</u>	<u>87.4</u>	<u>87.2</u>	<u>167.7</u>	<u>171.6</u>
<b>TOTAL ASSETS</b>	92.9	97.4	106.7	104.4	199.6	201.8
<b>DEFERRED OUTFLOWS:</b>	<u>5.9</u>	<u>1.2</u>	<u>0.8</u>	<u>0.1</u>	<u>6.7</u>	<u>1.3</u>
<b>LIABILITIES:</b>						
Current liabilities	4.3	5.4	2.8	2.3	7.1	7.7
Long-term liabilities	<u>27.2</u>	<u>23.5</u>	<u>21.8</u>	<u>21.9</u>	<u>49.0</u>	<u>45.5</u>
<b>TOTAL LIABILITIES</b>	31.4	28.9	24.6	24.2	56.0	53.1
<b>DEFERRED INFLOWS:</b>	<u>0.5</u>	<u>1.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.6</u>	<u>1.3</u>
<b>NET POSITION:</b>						
Invested in capital assets,	61.9	62.7	67.1	66.2	129.0	128.9
Restricted	7.9	7.6	5.0	4.8	12.9	12.4
Unrestricted	<u>(3.0)</u>	<u>(1.8)</u>	<u>10.6</u>	<u>9.2</u>	<u>7.6</u>	<u>7.5</u>
<b>TOTAL NET POSITION</b>	<u><b>\$ 66.8</b></u>	<u><b>\$ 68.5</b></u>	<u><b>\$ 82.8</b></u>	<u><b>\$ 80.3</b></u>	<u><b>\$ 149.5</b></u>	<u><b>\$ 148.8</b></u>

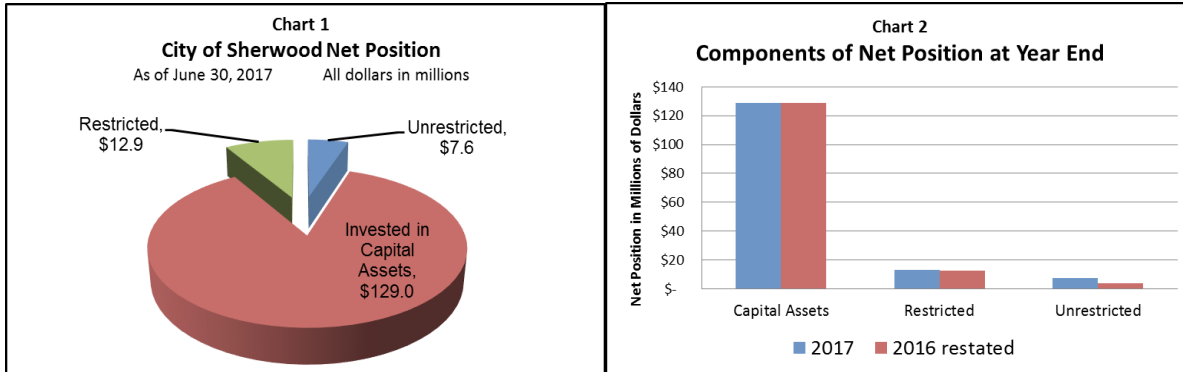
As Chart 1 below shows, the City's net investment in capital assets accounts for the majority of the City's net position. The City has invested \$129.1 million in land, buildings, equipment, and infrastructure (less depreciation and outstanding debt used to acquire those assets). The City uses these assets to provide services to its citizens so they are not assets that are available for future spending. Restricted net position (\$12.9 million) relates to amounts that are legally restricted for specific future obligations. Unrestricted net position (\$7.6 million) is available to meet the City's on-going obligations.



## CITY OF SHERWOOD, OREGON

### MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

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



#### Statement of Activities

The Statement of Activities (Table 2) presents the changes in net position by detailing the revenues and expenses for the Fiscal Years 2017 and 2016. 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 increased by a net of \$1.2 million (7%) primarily due to the one time decrease in Urban Renewal property tax revenue in FY16. Total expenses decreased \$1.9 million (8%) in FY17 due mainly to a significant decrease in pension expense as well as tight control over operating expenses from budgetary constraints. (Note that the pension expense relates to the City's portion of the overall pension liability for the statewide retirement system and does not correspond to actual payments made in any given fiscal year).

##### **Proprietary Activities**

- Overall revenue decreased from FY16 by \$0.1 million (1%).
  - Charges for services increased by \$0.2 million (2.4%) mainly due to an increase in utility rate payer revenue.
  - Capital contributions decreased \$.4 million (28.6%) due to decreased development activity resulting in decreased SDC's.
- Expenses decreased by \$0.7 million (10.8%) due mainly to a significant decrease in pension expense over FY16.

While in FY16 the City recorded a very large pension expense to bring the City in line with the accrued liability related to the significant underfunding of the Oregon Public Employees Retirement System (PERS), the additional amount to record in FY17 was significantly less. However, given the changes in assumptions for future rates of return for PERS that were presented after the close of the fiscal year, we can anticipate a higher pension expense again next year.



**CITY OF SHERWOOD, OREGON**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

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

<b>Table 2</b> <b>Statement of Activities</b> For the Fiscal Years Ending (June 30, 2017 and 2016) <i>In Millions of Dollars</i>						
	<b>Governmental Activities</b>		<b>Proprietary Activities</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Revenues</b>						
<u>Program Revenues</u>						
Charges for services	\$ 3.2	\$ 2.9	\$ 8.4	\$ 8.2	\$ 11.7	\$ 11.1
Operating grants/contributions	3.1	3.1	0.0	-	3.1	3.1
Capital grants/contributions	1.4	2.0	1.0	1.4	2.4	3.4
<u>General revenues</u>						
Property taxes	9.9	8.0	-	-	9.9	8.0
Franchise fees	1.9	2.0	-	-	1.9	2.0
Other general revenue	0.2	0.3	0.2	0.1	0.4	0.4
Total revenues	\$ 19.6	\$ 18.4	\$ 9.6	\$ 9.7	\$ 29.3	\$ 28.0
<b>Expenses</b>						
<u>Governmental Activities</u>						
Administration	\$ 3.4	\$ 3.6	\$ -	\$ -	\$ 3.4	\$ 3.6
Community development	1.7	2.5	-	-	1.7	2.5
Public safety	3.7	5.1	-	-	3.7	5.1
Community services	2.4	2.5	-	-	2.4	2.5
Public works	9.6	8.7	-	-	9.6	8.7
Interest on long-term debt	0.7	0.8	-	-	0.7	0.8
<u>Proprietary Activities</u>						
Water	-	-	4.4	5.0	4.4	5.0
Sanitary	-	-	0.7	0.9	0.7	0.9
Storm	-	-	1.1	1.2	1.1	1.2
Telecommunications	-	-	0.4	0.2	0.4	0.2
Total expenses	\$ 21.3	\$ 23.2	\$ 6.6	\$ 7.4	\$ 28.1	\$ 30.6
Special item-Settlement	-	-	(0.5)	-	(0.5)	-
<b>Change in net position</b>	<b>\$ (1.7)</b>	<b>\$ (4.9)</b>	<b>\$ 2.5</b>	<b>\$ 2.3</b>	<b>\$ 0.8</b>	<b>\$ (2.6)</b>
Beginning Net Position as Originally Stated	68.5	70.2	80.3	77.8	148.8	148.0
Restatement	-	3.2	-	0.2	-	3.4
Beginning Net Position as Restated	68.5	73.4	80.3	78.0	148.8	151.4
<b>Ending Net Position</b>	<b>\$ 66.8</b>	<b>\$ 68.5</b>	<b>\$ 82.8</b>	<b>\$ 80.3</b>	<b>\$ 149.5</b>	<b>\$ 148.8</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 JUNE 30, 2017

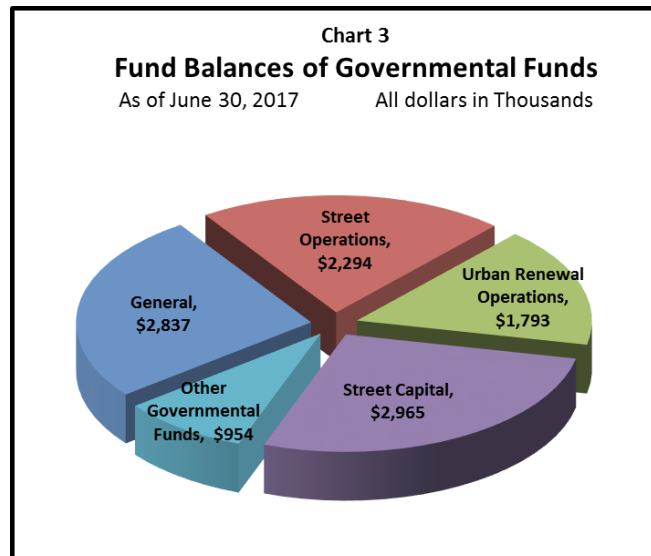
### 3. FINANCIAL ANALYSIS OF THE CITY'S FUNDS (Continued)

#### Governmental Funds in Total

The focus of the governmental 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 and indicate how well the City of Sherwood balances current revenues with current outflows. 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 increased by \$53,000 (.49%), meaning that they remained nearly status quo overall.

<b>Table 3</b> <b>Governmental Funds: Changes in Fund Balance</b> Fiscal Year 2017						
<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>Street Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Totals</b>
Beginning Fund Balances	\$ 3,083	\$ 2,166	\$ 1,384	\$ 2,667	\$ 1,491	\$10,791
Change in Fund Balances	(246)	128	409	299	(537)	53
<b>Ending Fund Balances June 30, 2017</b>	<b>\$ 2,837</b>	<b>\$ 2,294</b>	<b>\$ 1,793</b>	<b>\$ 2,965</b>	<b>\$ 954</b>	<b>\$10,843</b>



- The General Fund decreased 9% due to a small decline in property taxes (which is offset by the increase in URA property taxes noted below) while expenses remained stable.
- The Street Operations Fund increased 6%. It is not uncommon for this fund to accumulate fund balance to be spent in future years for larger street maintenance projects as needed.

# CITY OF SHERWOOD, OREGON

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

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

#### Governmental Funds in Total (Continued)

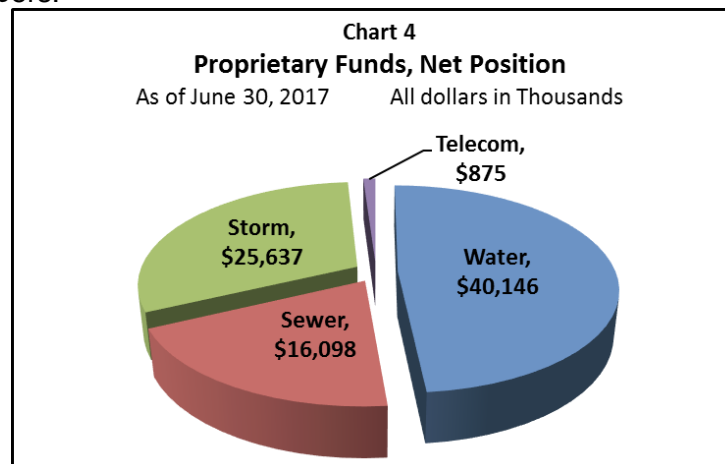
- The Urban Renewal Operations fund increased 30% due to slowing of capital projects as the URA approaches the end of its life and a slight increase in property taxes. Remaining revenues will be used to wrap up existing projects and to pay off debt until the debt can be paid off in full.
- The Street Capital Fund increased 11% due to limited construction activity in FY17. In this fund revenue is generated and spent on projects, but not necessarily in the same fiscal year.
- The decrease in Other Governmental Funds is mainly due to construction activity related to parks.

#### Proprietary Funds

Table 4 and Chart 4 show that ending net position for the proprietary funds was \$82.8 million, \$2.5 million (3%) higher than last year after restatement of beginning net position.

<b>Table 4</b> <b>Proprietary Funds, Changes in Net Position</b> Fiscal Year 2017					
	<i>On an Accrual Basis</i>		<i>In Thousands of Dollars</i>		
	<b>Water</b>	<b>Sewer</b>	<b>Storm</b>	<b>Telecom</b>	<b>Totals</b>
Beginning Net Position as Originally Stated	\$ 38,641	\$ 16,456	\$ 24,510	\$ 707	\$ 80,313
Restatement	(52)	(50)	36	12	(54)
Beginning Net Position as Restated	\$ 38,589	\$ 16,406	\$ 24,546	\$ 719	\$ 80,260
Change in Net Position	1,557	(308)	1,091	155	2,496
<b>Net Position June 30, 2017</b>	<b>\$ 40,146</b>	<b>\$ 16,098</b>	<b>\$ 25,637</b>	<b>\$ 875</b>	<b>\$ 82,756</b>

- Water – increase due to revenue from utility rates while capital activity remains very low.
- Sewer – decrease due to pension and depreciation expense.
- Storm – increase due to revenue from utility rates as well as contributed assets from private developers.
- Telecom – increase due to revenue from rate payers as well as contributed assets from private developers.



# CITY OF SHERWOOD, OREGON

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

### 4. GENERAL FUND BUDGETARY HIGHLIGHTS

**Original Budget Compared to Final Budget.** The General Fund budgetary schedule (on page 48) shows that during the year City Council approved appropriation transfers resulting in a net decrease in expenditure appropriations of \$80,493.

**Final Budget Compared to Actual Results.** The year-end fund balance was \$0.93 million higher than budgeted with major variances as follows.

- Beginning fund balance was \$0.27 million higher than budgeted.
- Revenue came in \$0.19 million under budget due mainly to projected development that was delayed.
- Expenditures were carefully controlled in public works and several positions were vacant for several months in public safety which led to about \$0.42 million in savings.
- Contingency budget of \$0.25 million was not used.

Although the ending fund balance is higher than budgeted, the General Fund did show a decline in fund balance over the previous fiscal year. The City has continued to control expenditures but with the limitations on property tax revenues and increasing costs, notably costs associated with the public retirement system (PERS), management remains vigilant and will continue to closely monitor the fund balance in the General Fund.

### 5. CAPITAL ASSETS

Government wide, capital assets decreased to \$167.7 million in FY17. This was a decrease of \$3.8 million (2.3%).

Table 5						
Government Wide Capital Assets						
Net of Depreciation						
For the Fiscal Years Ending (June 30, 2017 and 2016)						
In Millions of Dollars						
	Governmental Activities		Proprietary Activities		Total	
	2017	2016 (as restated)	2017	2016 (as restated)	2017	2016 (as restated)
Land	\$ 13.6	\$ 13.6	\$ 0.2	\$ 0.2	\$ 13.8	\$ 13.8
Intangibles	5.9	5.9	2.9	2.9	8.7	8.8
Construction In Progress	0.8	0.8	1.4	2.3	2.2	3.1
Infrastructure	30.8	34.1	82.6	81.3	113.3	115.4
Buildings & Improvements	28.1	28.9	0.0	0.0	28.1	28.9
Machinery and Equipment	0.8	0.7	0.2	0.3	1.0	1.0
Vehicles	0.4	0.3	0.2	0.2	0.6	0.5
<b>Total Capital Assets</b>	<b>\$ 80.3</b>	<b>\$ 84.3</b>	<b>\$ 87.4</b>	<b>\$ 87.2</b>	<b>\$ 167.7</b>	<b>\$ 171.5</b>
Accumulated Depreciation	\$ 63.9	\$ 57.6	\$ 14.3	\$ 13.1	\$ 78.2	\$ 70.7

## CITY OF SHERWOOD, OREGON

### MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

#### 5. CAPITAL ASSETS (Continued)

Major changes to capital assets, net of depreciation expense of \$7.5 million, are as follows:

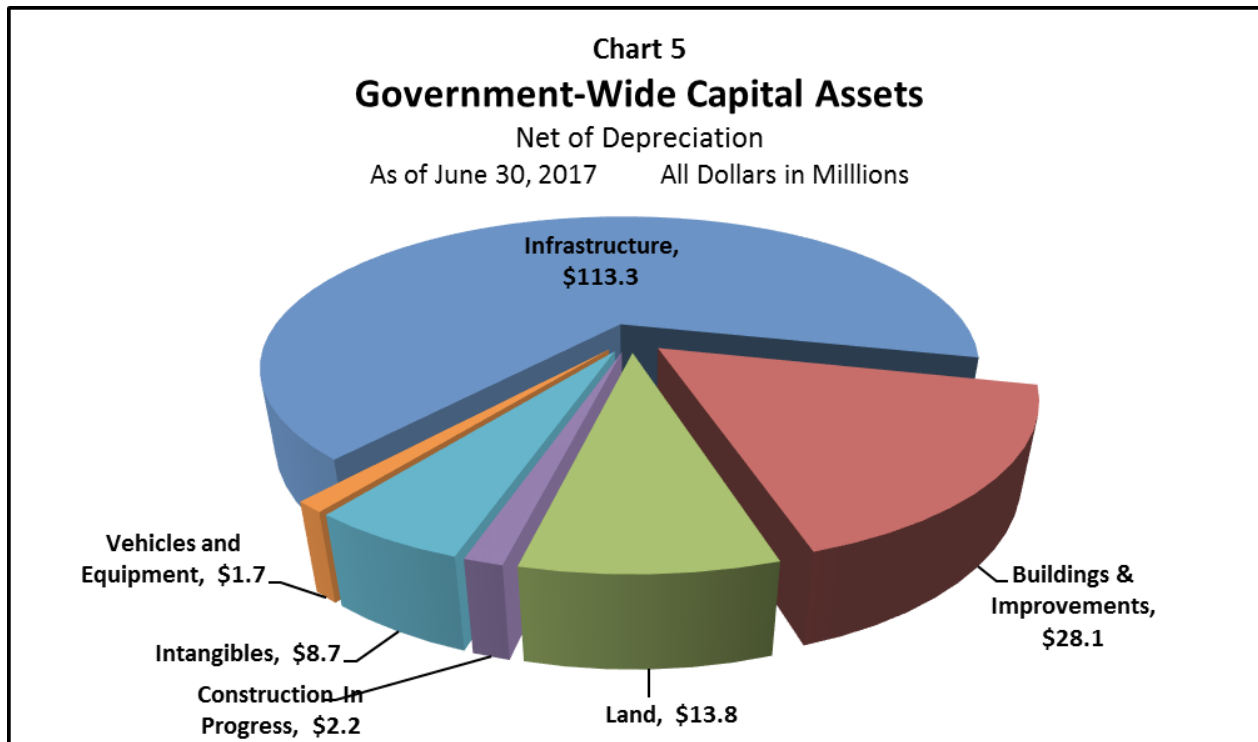
Governmental Activities:

- Woodhaven Park Phase 2: \$0.9 million
- Street improvements: \$0.3 million
- Contributed infrastructure from private developers: \$0.5 million

Proprietary Activities:

- Stormwater facilities: \$1.5 million
- Contributed infrastructure from private developers: \$0.7 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, 2017, the City had long term debt obligations of \$39.5 million. Of this amount, \$1 million will be serviced by dedicated property taxes and \$17.1 million will be serviced by tax increment revenues. \$21.3 million is categorized as full faith and credit obligations, but is being serviced from utility rate revenue.

Outstanding debt decreased by the principal payments made on debt in FY17. Additional information regarding the City's long-term obligations may be found in Note II.F. of the Notes to Basic Financial Statements.

**CITY OF SHERWOOD, OREGON**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**6. DEBT OUTSTANDING (Continued)**

<b>Table 6</b> <b>Outstanding Debt at Fiscal Year End</b> For the Fiscal Years Ending (June 30, 2017 and 2016) <i>In Millions of Dollars</i>						
	<b>Governmental Activities</b>		<b>Proprietary Activities</b>		<b>Total</b>	
	<b>2017</b>	<b>2016 (as restated)</b>	<b>2017</b>	<b>2016 (as restated)</b>	<b>2017</b>	<b>2016 (as restated)</b>
Full Faith and Credit	\$ -	\$ 0.18	\$21.35	\$ 22.08	\$21.35	\$ 22.26
General Obligation Bonds	1.01	1.84	-	-	1.01	1.84
Tax Increment Revenue	17.05	19.23	-	-	17.05	19.23
Capital Leases	0.05	0.06	-	-	0.05	0.06
<b>Total Outstanding Debt</b>	<b>\$18.10</b>	<b>\$ 21.31</b>	<b>\$21.35</b>	<b>\$ 22.08</b>	<b>\$39.45</b>	<b>\$ 43.39</b>

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

The primary economic factor influencing the City of Sherwood budget is growth in the active markets of commercial, industrial and residential. Current and foreseeable future growth has increased having a moderate impact on the City's revenue. The annexation of areas such as Brookman and Sherwood West will bring new land onto the tax rolls. As this land is developed this will lead to additional planning and building revenues as well as increased property taxes, additional utility revenues, and franchise fees in years to come. 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 sanitary, storm, and street funds. The 2% limitation on future tax and fee increases over time will impact the water and street funds. The impact to sewer and stormwater funds is lessened by the fact that Clean Water Services has historically set these rates.

Personnel services costs are projected to increase by about 6%. 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.

**8. FINANCIAL CONTACT**

The City's financial statements are designed to present City taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City's Finance Director, Katie Henry, at 22560 SW Pine Street, Sherwood Oregon, 97140; (503) 625-4248; or [henryk@sherwoodoregon.gov](mailto:henryk@sherwoodoregon.gov).

## **BASIC FINANCIAL STATEMENTS**

**CITY OF SHERWOOD**

Sherwood, Oregon

**STATEMENT OF NET POSITION  
JUNE 30, 2017**

	Governmental Activities	Proprietary Activities	Total
<b>ASSETS:</b>			
Cash and investments	\$ 3,308,225	\$ 11,906,190	\$ 15,214,415
Restricted cash and investments	7,985,784	6,210,788	14,196,572
Receivables, net	1,284,177	1,153,887	2,438,064
Prepaid expenses	6,201	-	6,201
Capital assets:			
Land, improvements and construction in progress	20,253,970	4,436,147	24,690,117
Other capital assets, net	60,043,220	82,971,857	143,015,077
<b>TOTAL ASSETS</b>	<b>92,881,577</b>	<b>106,678,869</b>	<b>199,560,446</b>
<b>DEFERRED OUTFLOWS-PENSION</b>	<b>5,908,787</b>	<b>752,994</b>	<b>6,661,781</b>
<b>LIABILITIES:</b>			
Current liabilities:			
Accounts payable and other current liabilities	992,886	1,500,170	2,493,056
Payroll payable	314,102	43,289	357,391
Accrued interest	179,731	69,359	249,090
Current portion of long-term obligations	2,784,543	1,187,582	3,972,125
Total current liabilities	4,271,262	2,800,400	7,071,662
Noncurrent liabilities:			
Net pension liability	10,987,270	1,400,177	12,387,447
Noncurrent portion of long-term obligations	16,185,020	20,410,428	36,595,448
Total noncurrent liabilities	27,172,290	21,810,605	48,982,895
<b>TOTAL LIABILITIES</b>	<b>31,443,552</b>	<b>24,611,005</b>	<b>56,054,557</b>
<b>DEFERRED INFLOWS-PENSION</b>	<b>509,522</b>	<b>64,932</b>	<b>574,454</b>
<b>NET POSITION:</b>			
Net investment in capital assets	61,929,620	67,095,436	129,025,056
Restricted for:			
Capital assets	3,780,141	5,033,233	8,813,374
Street and roadside maintenance	2,294,362	-	2,294,362
Urban renewal projects	1,792,891	-	1,792,891
Debt service	28,563	-	28,563
Community Enhancement	15,905	-	15,905
Unrestricted	(3,004,192)	10,627,257	7,623,065
<b>TOTAL NET POSITION</b>	<b>\$ 66,837,290</b>	<b>\$ 82,755,926</b>	<b>\$ 149,593,216</b>

See notes to basic financial statements



# CITY OF SHERWOOD

Sherwood, Oregon

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

ACTIVITIES	Expenses	Program Revenues			Net Revenue (Expense) and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Proprietary Activities	Totals
<b>Primary government:</b>							
Governmental activities:							
Administration	\$ 3,393,624	\$ 1,333,927	\$ 613,870	\$ -	\$ (1,445,827)	\$ -	\$ (1,445,827)
Community Development	1,651,543	694,518	60,139	262,682	(634,204)	-	(634,204)
Public Safety	3,722,363	10,519	51,205	-	(3,660,639)	-	(3,660,639)
Community Services	2,366,718	442,121	865,347	-	(1,059,250)	-	(1,059,250)
Public Works	9,550,440	747,527	1,487,710	1,117,244	(6,197,959)	-	(6,197,959)
Interest on long-term obligations	655,929	-	-	-	(655,929)	-	(655,929)
Total governmental activities	21,340,617	3,228,612	3,078,271	1,379,926	(13,653,808)	-	(13,653,808)
Proprietary activities:							
Water	4,433,477	5,450,689	-	428,314	-	1,445,526	1,445,526
Sewer	734,672	677,284	1,129	216,311	-	160,052	160,052
Storm	1,118,477	1,860,547	-	310,826	-	1,052,896	1,052,896
Telecommunications	351,311	445,468	-	57,257	-	151,414	151,414
Total proprietary activities	6,637,937	8,433,988	1,129	1,012,708	-	2,809,888	2,809,888
<b>Total</b>	<b>\$ 27,978,554</b>	<b>\$ 11,662,600</b>	<b>\$ 3,079,400</b>	<b>\$ 2,392,634</b>	<b>(13,653,808)</b>	<b>2,809,888</b>	<b>(10,843,920)</b>
<b>GENERAL REVENUES</b>							
Property taxes					9,859,996	-	9,859,996
Franchise taxes and fees					1,902,899	-	1,902,899
Unrestricted interest earnings					129,535	193,770	323,305
Miscellaneous					49,795	-	49,795
<b>SPECIAL ITEM - Settlement</b>					-	(507,435)	(507,435)
<b>TOTAL GENERAL REVENUES AND SPECIAL ITEM</b>					<b>11,942,225</b>	<b>(313,665)</b>	<b>11,628,560</b>
<b>CHANGE IN NET POSITION</b>					<b>(1,711,583)</b>	<b>2,496,223</b>	<b>784,640</b>
<b>NET POSITION, June 30, 2016 as originally stated</b>					<b>65,363,929</b>	<b>80,313,229</b>	<b>145,677,158</b>
Cumulative effect of restatement					3,184,944	(53,526)	3,131,418
<b>NET POSITION, JUNE 30, 2016 as restated</b>					<b>68,548,873</b>	<b>80,259,703</b>	<b>148,808,576</b>
<b>NET POSITION, June 30, 2017</b>					<b>\$ 66,837,290</b>	<b>\$ 82,755,926</b>	<b>\$ 149,593,216</b>

See notes to basic financial statements

**CITY OF SHERWOOD**

Sherwood, Oregon

**GOVERNMENTAL FUNDS BALANCE SHEET  
JUNE 30, 2017**

	General Fund	Street Operations Fund	Urban Renewal Operations Fund	Street Capital Fund	Other Nonmajor Governmental Funds	Totals
<b>ASSETS:</b>						
Cash and investments	\$ 3,184,938	\$ -	\$ -	\$ -	\$ 123,287	\$ 3,308,225
Restricted cash and investments	4,274	2,374,549	1,822,327	2,967,124	817,510	7,985,784
Receivables	898,533	145,630	180,870	-	59,144	1,284,177
Prepaid expenses	6,201	-	-	-	-	6,201
<b>TOTAL ASSETS</b>	<b>\$ 4,093,946</b>	<b>\$ 2,520,179</b>	<b>\$ 2,003,197</b>	<b>\$ 2,967,124</b>	<b>\$ 999,941</b>	<b>\$ 12,584,387</b>
<b>LIABILITIES:</b>						
Accounts payable	\$ 448,495	\$ 196,669	\$ 37,203	\$ 1,652	\$ 1,785	\$ 685,804
Payroll payable	293,168	12,772	6,254	266	1,642	314,102
Other current liabilities	279,300	16,376	11,409	-	-	307,085
<b>TOTAL LIABILITIES</b>	<b>1,020,963</b>	<b>225,817</b>	<b>54,866</b>	<b>1,918</b>	<b>3,427</b>	<b>1,306,991</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - property taxes	235,748	-	155,440	-	42,915	434,103
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>235,748</b>	<b>-</b>	<b>155,440</b>	<b>-</b>	<b>42,915</b>	<b>434,103</b>
<b>FUND BALANCES:</b>						
Nonspendable in form	6,201	-	-	-	-	6,201
Restricted for:						
Capital Projects	4,274	-	-	2,965,206	810,661	3,780,141
Street Maintenance	-	2,294,362	-	-	-	2,294,362
Urban Renewal Projects	-	-	1,792,891	-	-	1,792,891
Community Enhancement	-	-	-	-	15,905	15,905
Debt Service	-	-	-	-	28,563	28,563
Committed to:						
Capital Projects	-	-	-	-	98,470	98,470
School District	12,685	-	-	-	-	12,685
Assigned to:						
Fleet Replacement	84,870	-	-	-	-	84,870
Unassigned	2,729,205	-	-	-	-	2,729,205
<b>TOTAL FUND BALANCES</b>	<b>2,837,235</b>	<b>2,294,362</b>	<b>1,792,891</b>	<b>2,965,206</b>	<b>953,599</b>	<b>10,843,293</b>
<b>TOTAL LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 4,093,946</b>	<b>\$ 2,520,179</b>	<b>\$ 2,003,197</b>	<b>\$ 2,967,124</b>	<b>\$ 999,941</b>	<b>\$ 12,584,387</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, 2017**

**TOTAL FUND BALANCE** **\$ 10,843,293**

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	\$ 144,158,153	
Accumulated depreciation	<u>(63,860,963)</u>	80,297,190

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 are reported as such in the governmental funds.	434,103
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Deferred Inflows - Pension	(509,522)
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Deferred Outflows - Pension	5,908,787
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Compensated absences not payable in the current year are not recorded as governmental fund liabilities.	(601,992)
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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 amounts consist of:

Bonds, notes, and leases payable	\$ (18,104,571)	
Pension liability	(10,987,270)	
Premium on bonds	(262,997)	
Accrued interest payable	<u>(179,731)</u>	<u>(29,534,569)</u>

<b>TOTAL NET POSITION</b>	<b><u>\$ 66,837,290</u></b>
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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, 2017

	General Fund	Street Operations Fund	Urban Renewal Operations Fund	Street Capital Fund	Other Nonmajor Governmental Funds	Totals
<b>REVENUES:</b>						
Property Taxes	\$5,185,821	\$ -	\$3,723,058	\$ -	\$ 905,694	\$ 9,814,573
Franchises and fees	1,862,444	-	-	-	40,455	1,902,899
Intergovernmental	1,862,747	1,215,524	-	-	-	3,078,271
Charges for services	1,329,175	652,716	-	64,804	23,428	2,070,123
Infrastructure development fees	-	-	-	503,311	262,682	765,993
Fines and forfeitures	1,158,489	-	-	-	-	1,158,489
Interest on investments	37,472	24,271	22,000	30,429	15,363	129,535
Miscellaneous	45,384	-	-	-	-	45,384
<b>TOTAL REVENUES</b>	<b>11,481,532</b>	<b>1,892,511</b>	<b>3,745,058</b>	<b>598,544</b>	<b>1,247,622</b>	<b>18,965,267</b>
<b>EXPENDITURES:</b>						
Current:						
Administration	2,553,329	-	466,952	-	-	3,020,281
Community Development	1,529,152	-	-	-	-	1,529,152
Public Safety	3,425,907	-	-	-	-	3,425,907
Community Services	1,853,341	-	-	-	-	1,853,341
Public Works	1,947,252	1,531,049	-	-	110,399	3,588,700
Noncurrent						
Capital Outlay	240,942	233,398	30,402	242,102	838,158	1,585,002
Debt Service - Principal	133,560	-	2,180,846	-	876,440	3,190,846
Debt Service - Interest	3,606	-	658,008	-	62,554	724,168
<b>TOTAL EXPENDITURES</b>	<b>11,687,089</b>	<b>1,764,447</b>	<b>3,336,208</b>	<b>242,102</b>	<b>1,887,551</b>	<b>18,917,397</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(205,557)</b>	<b>128,064</b>	<b>408,850</b>	<b>356,442</b>	<b>(639,929)</b>	<b>47,870</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from sale of capital assets	4,793	-	-	-	-	4,793
Transfers in	-	-	-	-	102,757	102,757
Transfers out	(45,000)	-	-	(57,757)	-	(102,757)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(40,207)</b>	<b>-</b>	<b>-</b>	<b>(57,757)</b>	<b>102,757</b>	<b>4,793</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(245,764)</b>	<b>128,064</b>	<b>408,850</b>	<b>298,685</b>	<b>(537,172)</b>	<b>52,663</b>
<b>FUND BALANCES - beginning of year</b>	<b>3,082,999</b>	<b>2,166,298</b>	<b>1,384,041</b>	<b>2,666,521</b>	<b>1,490,771</b>	<b>10,790,630</b>
<b>FUND BALANCES - end of year</b>	<b>\$2,837,235</b>	<b>\$2,294,362</b>	<b>\$1,792,891</b>	<b>\$2,965,206</b>	<b>\$ 953,599</b>	<b>\$ 10,843,293</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, 2017**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 52,663

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	\$ 1,610,107	
Depreciation	<u>(6,256,725)</u>	(4,646,618)

Contributions of capital assets are not recorded as revenues in the fund statements		613,932
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Other transactions related to capital assets not reported in the fund statements		(382)
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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.		45,423
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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	42,355	
Principal on capital lease	19,032	
Principal on bonds and notes	<u>3,190,846</u>	3,252,233

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	(1,011,564)	
Accrued interest	25,884	
Compensated absences	<u>(43,154)</u>	(1,028,834)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ (1,711,583)</u>
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See notes to basic financial statements

**CITY OF SHERWOOD**

Sherwood, Oregon

**ENTERPRISE FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2017**

	Water	Sewer	Storm	Telecom	Totals
<b>ASSETS:</b>					
Current assets:					
Cash and investments	\$ 6,971,215	\$ 923,363	\$ 3,568,132	\$ 443,480	\$ 11,906,190
Restricted cash and investments	3,549,155	2,586,634	74,999	-	6,210,788
Receivables, net	680,122	266,909	199,105	7,751	1,153,887
Total current assets	11,200,492	3,776,906	3,842,236	451,231	19,270,865
Noncurrent assets:					
Land, improvements and construction in progress	507,804	2,039,826	1,888,517	-	4,436,147
Other capital assets, net	50,822,329	11,432,528	20,225,620	491,380	82,971,857
Total noncurrent assets	51,330,133	13,472,354	22,114,137	491,380	87,408,004
<b>TOTAL ASSETS</b>	<b>62,530,625</b>	<b>17,249,260</b>	<b>25,956,373</b>	<b>942,611</b>	<b>106,678,869</b>
<b>DEFERRED OUTFLOWS :</b>					
Pension	346,942	149,301	206,773	49,978	752,994
<b>LIABILITIES:</b>					
Current liabilities:					
Accounts payable and other current liabilities	426,562	474,474	82,442	9,258	992,736
Payroll payable	18,528	9,591	9,069	6,100	43,288
Settlement payable	-	507,435	-	-	507,435
Accrued compensated absences	20,619	7,485	12,908	2,142	43,154
Loans payable - current portion	1,144,428	-	-	-	1,144,428
Accrued interest payable	69,359	-	-	-	69,359
Total current liabilities	1,679,496	998,985	104,419	17,500	2,800,400
Long-term liabilities					
Loans payable - long-term portion	20,345,695	-	-	-	20,345,695
Accrued compensated absences	30,929	11,228	19,363	3,213	64,733
Net pension liability	645,132	277,623	384,490	92,932	1,400,177
Total long-term liabilities	21,021,756	288,851	403,853	96,145	21,810,605
<b>TOTAL LIABILITIES</b>	<b>22,701,252</b>	<b>1,287,836</b>	<b>508,272</b>	<b>113,645</b>	<b>24,611,005</b>
<b>DEFERRED INFLOWS:</b>					
Pension	29,917	12,874	17,831	4,310	64,932
<b>NET POSITION:</b>					
Net investment in capital assets	31,017,565	13,472,354	22,114,137	491,380	67,095,436
Restricted for capital improvements	2,371,600	2,586,634	74,999	-	5,033,233
Unrestricted	6,757,233	38,863	3,447,907	383,254	10,627,257
<b>TOTAL NET POSITION</b>	<b>\$ 40,146,398</b>	<b>\$ 16,097,851</b>	<b>\$ 25,637,043</b>	<b>\$ 874,634</b>	<b>\$ 82,755,926</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 THE YEAR ENDED JUNE 30, 2017**

	Water	Sewer	Storm	Telecom	Totals
<b>OPERATING REVENUES:</b>					
Intergovernmental	\$ -	\$ 1,129	\$ -	\$ -	\$ 1,129
Charges for services	5,450,689	677,284	1,860,547	445,468	8,433,988
<b>TOTAL OPERATING REVENUES</b>	<u>5,450,689</u>	<u>678,413</u>	<u>1,860,547</u>	<u>445,468</u>	<u>8,435,117</u>
<b>OPERATING EXPENSES:</b>					
Personnel services	666,615	267,262	382,279	119,957	1,436,113
Materials and services	2,086,544	282,654	478,635	202,102	3,049,935
Depreciation	763,111	184,756	257,563	29,252	1,234,682
<b>TOTAL OPERATING EXPENSES</b>	<u>3,516,270</u>	<u>734,672</u>	<u>1,118,477</u>	<u>351,311</u>	<u>5,720,730</u>
<b>OPERATING INCOME (LOSS)</b>	<u>1,934,419</u>	<u>(56,259)</u>	<u>742,070</u>	<u>94,157</u>	<u>2,714,387</u>
<b>NONOPERATING INCOME (EXPENSE):</b>					
Interest expense	(880,840)	-	-	-	(880,840)
Interest earnings	111,591	39,623	38,483	4,073	193,770
Debt issuance costs	(36,367)	-	-	-	(36,367)
<b>TOTAL NONOPERATING INCOME (EXPENSE)</b>	<u>(805,616)</u>	<u>39,623</u>	<u>38,483</u>	<u>4,073</u>	<u>(723,437)</u>
<b>NET INCOME (LOSS) BEFORE CONTRIBUTIONS AND SPECIAL ITEM</b>	<u>1,128,803</u>	<u>(16,636)</u>	<u>780,553</u>	<u>98,230</u>	<u>1,990,950</u>
Capital Contributions - System development fees	252,157	29,869	25,620	-	307,646
Capital Contributions - Contributed assets	176,157	186,442	285,206	57,257	705,062
Special Item - Settlement	-	(507,435)	-	-	(507,435)
<b>CHANGE IN NET POSITION</b>	<u>1,557,117</u>	<u>(307,760)</u>	<u>1,091,379</u>	<u>155,487</u>	<u>2,496,223</u>
<b>NET POSITION, JUNE 30, 2016 as originally stated</b>	<u>38,640,848</u>	<u>16,455,906</u>	<u>24,509,664</u>	<u>706,811</u>	<u>80,313,229</u>
Cumulative effect of restatement	(51,567)	(50,295)	36,000	12,336	(53,526)
<b>NET POSITION, JUNE 30, 2016 as restated</b>	<u>38,589,281</u>	<u>16,405,611</u>	<u>24,545,664</u>	<u>719,147</u>	<u>80,259,703</u>
<b>NET POSITION, June 30, 2017</b>	<u>\$ 40,146,398</u>	<u>\$ 16,097,851</u>	<u>\$ 25,637,043</u>	<u>\$ 874,634</u>	<u>\$ 82,755,926</u>

See notes to basic financial statements

**CITY OF SHERWOOD**

Sherwood, Oregon

**ENTERPRISE FUNDS  
STATEMENT OF CASH FLOWS  
JUNE 30, 2017**

	Water	Sewer	Storm	Telecom	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from customers	\$ 5,623,638	\$ 670,740	\$ 1,851,489	\$ 456,939	\$ 8,602,806
Payments to suppliers	(1,957,051)	(291,682)	(553,294)	(232,418)	(3,034,445)
Payments to employees	(601,258)	(242,590)	(349,290)	(74,636)	(1,267,774)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<u>3,065,329</u>	<u>136,468</u>	<u>948,905</u>	<u>149,885</u>	<u>4,300,587</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Acquisition of capital assets	(73,316)	(153,319)	(454,295)	(10,430)	(691,360)
System development charges	252,157	29,869	25,620	-	307,646
Proceeds from debt refinancing	9,189,000	-	-	-	9,189,000
Principal paid on long-term obligations	(9,918,570)	-	-	-	(9,918,570)
Interest paid on long-term obligations	(1,066,826)	-	-	-	(1,066,826)
Debt issuance costs	(36,368)	-	-	-	(36,368)
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(1,653,923)</u>	<u>(123,450)</u>	<u>(428,675)</u>	<u>(10,430)</u>	<u>(2,216,478)</u>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>					
Interest earnings	111,591	39,623	38,483	4,074	193,771
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<u>111,591</u>	<u>39,623</u>	<u>38,483</u>	<u>4,074</u>	<u>193,771</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>1,522,997</u>	<u>52,641</u>	<u>558,713</u>	<u>143,529</u>	<u>2,277,880</u>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>8,997,373</u>	<u>3,457,356</u>	<u>3,084,418</u>	<u>299,951</u>	<u>15,839,098</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u><u>\$10,520,370</u></u>	<u><u>\$3,509,997</u></u>	<u><u>\$3,643,131</u></u>	<u><u>\$ 443,480</u></u>	<u><u>\$18,116,978</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ 1,934,419	\$ (56,259)	\$ 742,070	\$ 94,157	\$ 2,714,387
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	763,111	184,756	257,563	29,252	1,234,682
Pension expense	57,511	18,801	28,174	37,215	141,701
Decrease (increase) in assets					
Receivables, net	172,949	(7,673)	(9,058)	11,471	167,689
Increase (decrease) in liabilities					
Accounts payable	131,189	(12,378)	(56,858)	(30,316)	31,637
Payroll payable	(1,812)	4,088	(2,875)	5,714	5,115
Compensated absences payable	9,658	1,782	7,690	2,392	21,522
Other current liabilities	(1,696)	3,351	(17,801)	-	(16,146)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<u><u>\$ 3,065,329</u></u>	<u><u>\$ 136,468</u></u>	<u><u>\$ 948,905</u></u>	<u><u>\$ 149,885</u></u>	<u><u>\$ 4,300,587</u></u>
<b>Summary of non-cash transactions:</b>					
Contributions of capital assets from developers	\$ 176,157	\$ 186,442	\$ 285,206	\$ 57,257	\$ 705,062

See notes to basic financial statements



## **NOTES TO BASIC FINANCIAL STATEMENTS**

## **CITY OF SHERWOOD, OREGON**

### **NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017**

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

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

The City of Sherwood is a municipal corporation governed by seven-member City 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, 2017

#### 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, for 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.

*Street Capital:* 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, 2017**

#### **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 Fund — The Storm fund accounts for the City's storm drainage operations and capital projects.
- Telecommunications Fund – The Telecommunications fund (also known as Sherwood Broadband) 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 60 days of the end of the current fiscal year. Property tax revenues are susceptible to accrual using the 60 day window.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Intergovernmental and interest revenue associated with the current fiscal period are all considered to be susceptible to accrual using the 60 day window and so have been recognized in 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, 2017

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

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

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, was issued March 2012. The objective of this statement is to evaluate and reclassify various financial statement items that have been previously reported as either assets or liabilities, and evaluate them against the definitions provided for deferred outflows and deferred inflows of resources.

In addition to liabilities, the statement of net position may report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. With the implementation of GASB Statement No. 68, the City now presents deferred inflows from pensions as a deferred inflow on the statement of net position. The deferred inflows from pension are for changes in the City's proportionate share and differences between City contributions and proportionate share of system contributions, as determined under GASB Statement No. 68. The City also presents unavailable revenue as a deferred inflow of resources on the governmental funds balance sheet. The 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 primarily of uncollected property taxes not deemed available to finance operation of the current period. In the government-wide Statement of Activities, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned regardless of its availability. Thus, the deferral created on the governmental fund balance sheet for unavailable revenue is eliminated.

In addition to assets, the statement of net position may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. With the implementation of GASB Statement No. 68, the City now presents deferred outflows from pensions as a deferred outflow on the statement of net position. The deferred outflows from pension are for pension plan contributions made subsequent to the measurement date of the pension liability, differences between expected and actual experience, changes in proportionate share, differences between City contributions and proportionate share of system contributions, and changes in assumptions.

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

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

## **CITY OF SHERWOOD, OREGON**

### **NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2017**

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

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

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

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

##### **D. Assets, deferred outflow of resources, liabilities, deferred inflow of resources, and net position or fund balance**

###### *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.

###### *2. Receivables and Payables*

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

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

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

**CITY OF SHERWOOD, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2017**

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

**D. Assets, deferred outflow of resources, liabilities, deferred inflow of resources, and net position or fund balance (Continued)**

Accounts payable to vendors and contractors include general accounts payable, retainage payable, deposits payable and other accrued liabilities.

**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 acquisition value. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

**4. Compensated absences**

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

## CITY OF SHERWOOD, OREGON

### NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2017

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

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

###### 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, 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 (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS.

###### 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.



## **CITY OF SHERWOOD, OREGON**

### **NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2017**

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

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

- 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.

##### **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 five divisions for purposes of appropriations. The divisions are: Administration, Community Development, Public Safety, Community Services, and Public Works. Each division is further divided into departments which reflect City programs and managerial responsibilities.

**CITY OF SHERWOOD, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2017**

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

**F. Budget (Continued)**

The Street Operations and the Telecommunications fund each have one program which is Operations while the General Construction and Street Capital funds each have one program which is Capital. The Water, Sanitary, and Storm Enterprise funds are appropriated by the operations or capital programs.

Expenditures cannot exceed appropriations at these legal levels of control. Management may amend line items in the budget without City Council approval as 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 were two appropriation transfers approved by the Council during the year as well as one debt service appropriation resolution for refinancing of debt in the Water fund.

All appropriations lapse at fiscal year-end.

**II. DETAILED NOTES ON ALL FUNDS**

**A. Cash and investments**

Cash and investments are reflected on the Statement of Net Position at June 30, 2017 as follows:

Governmental Activities	\$ 11,294,009
Proprietary Activities	<u>18,116,978</u>
	<u><u>\$ 29,410,987</u></u>

Cash and investments consist of:

Petty cash	\$ 1,400
Deposits with financial institutions	212,037
Local Government Investment Pool	<u>29,197,550</u>
	<u><u>\$ 29,410,987</u></u>

	Governmental Activities	Proprietary Activities	Total
Cash and investments	\$ 3,308,225	\$ 11,906,190	\$ 15,214,415
Restricted cash and investments	<u>7,985,784</u>	<u>6,210,788</u>	<u>14,196,572</u>
	<u><u>\$ 11,294,009</u></u>	<u><u>\$ 18,116,978</u></u>	<u><u>\$ 29,410,987</u></u>

Restricted cash and investments consists of unspent bond proceeds, public, educational, and government (PEG) fees collected specifically for equipment and facilities related to public-access channels, and system development charges (SDC) fees collected for the specific use of SDC projects.

## CITY OF SHERWOOD, OREGON

### NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2017

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

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

###### 1. Custodial Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. At June 30, 2017, the City had deposits with financial institutions totaling \$613,826, 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, custodial risk is the risk that, in the event of a failure of the counterparty, the City will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. The City has no investments that are subject to custodial credit risk.

The City participates in the State of Oregon'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.

**CITY OF SHERWOOD, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2017**

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

**B. Receivables**

Receivables as of June 30, 2017, net of allowance for uncollectible amounts, are as follows:

	Governmental Funds	Proprietary Funds	Total
Receivables:			
Court Fines	\$ 1,476,137	\$ -	\$ 1,476,137
Property taxes	504,403	-	504,403
State Revenue	183,820	-	183,820
4th Qtr Franchise Fees	270,371	-	270,371
Sherwood School District	98,397	-	98,397
Metro Q4 Comm Enhance Grant	20,058	-	20,058
Utility Bills	49,389	947,542	996,931
Utility Bills for CWS	-	216,550	216,550
Sherwood Broadband	-	7,751	7,751
US EPA Brownsfield Tannery Grant	11,002	-	11,002
Water rebate	-	57,508	57,508
Other miscellaneous	17,893	-	17,893
Gross Receivables	<u>2,631,470</u>	<u>1,229,351</u>	<u>3,860,821</u>
Less: allowance for uncollectables			
Court	(1,340,072)	-	(1,340,072)
Utility Bills	<u>(7,221)</u>	<u>(75,464)</u>	<u>(82,685)</u>
Net Receivables	<u><u>\$ 1,284,177</u></u>	<u><u>\$ 1,153,887</u></u>	<u><u>\$ 2,438,064</u></u>

**CITY OF SHERWOOD, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2017**

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

**C. Capital assets**

Capital assets for governmental activities for the year ended June 30, 2017 are as follows:

	Balance June 30, 2016	Restatement	Revised Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
<b>Governmental Activities</b>						
Capital assets not being depreciated:						
Land	\$ 13,538,610	\$ 49,611	\$ 13,588,221	\$ -	\$ -	\$ 13,588,221
Intangibles (easements)	5,886,413	(33,818)	5,852,595	720	-	5,853,315
Construction work in progress	816,402	-	816,402	1,434,104	(1,438,072)	812,434
Total capital assets not being depreciated	<u>20,241,425</u>	<u>15,793</u>	<u>20,257,218</u>	<u>1,434,824</u>	<u>(1,438,072)</u>	<u>20,253,970</u>
Capital assets being depreciated:						
Infrastructure	73,309,483	-	73,309,483	862,815	-	74,172,299
Buildings and improvements	41,357,026	3,873,806	45,230,832	1,026,590	-	46,257,422
Machinery and equipment	1,849,923	(20,126)	1,829,797	212,204	-	2,042,001
Licensed vehicles	1,348,792	-	1,348,792	125,677	(42,008)	1,432,461
Total capital assets being depreciated	<u>117,865,224</u>	<u>3,853,681</u>	<u>121,718,905</u>	<u>2,227,286</u>	<u>(42,008)</u>	<u>123,904,183</u>
Less accumulated depreciation:						
Infrastructure	39,166,585	-	39,166,585	4,238,214	-	43,404,799
Buildings and improvements	15,595,382	785,391	16,380,773	1,768,608	-	18,149,381
Machinery and equipment	1,254,477	(166,292)	1,088,185	147,271	-	1,235,456
Licensed vehicles	1,010,322	-	1,010,322	102,632	(41,627)	1,071,327
Total accumulated depreciation	<u>57,026,766</u>	<u>619,099</u>	<u>57,645,865</u>	<u>6,256,725</u>	<u>(41,627)</u>	<u>63,860,963</u>
Total capital assets being depreciated, net	<u>60,838,458</u>	<u>3,234,582</u>	<u>64,073,040</u>	<u>(4,029,439)</u>	<u>(381)</u>	<u>60,043,220</u>
Governmental activities capital assets, net	<u>\$81,079,883</u>	<u>\$ 3,250,375</u>	<u>\$ 84,330,258</u>	<u>\$ (2,594,615)</u>	<u>\$ (1,438,453)</u>	<u>\$ 80,297,190</u>
Governmental activities:						
Administration				\$ 88,629		
Public safety				30,181		
Community services				350,325		
Public works				<u>5,787,590</u>		
Total depreciation expense - governmental activities				<u>\$ 6,256,725</u>		

**CITY OF SHERWOOD, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2017**

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

**C. Capital assets (Continued)**

Capital assets for proprietary activities for the year ended June 30, 2017 are as follows:

	Balance June 30, 2016	Restatement	Revised Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
<b>Proprietary activities</b>						
Capital assets not being depreciated:						
Land	\$ 224,945	\$ -	\$ 224,945	\$ -	\$ -	\$ 224,945
Intangibles (easements)	2,917,693	(50,294)	2,867,399	-	-	2,867,399
Construction work in progress	2,322,165	-	2,322,165	651,407	(1,629,769)	1,343,803
Total capital assets not being depreciated	<u>5,464,803</u>	<u>(50,294)</u>	<u>5,414,509</u>	<u>651,407</u>	<u>(1,629,769)</u>	<u>4,436,147</u>
Capital assets being depreciated:						
Infrastructure	92,802,172	(64,465)	92,737,707	2,364,354	-	95,102,061
Buildings and improvements	11,322	-	11,322	-	-	11,322
Machinery and equipment	1,633,615	13,016	1,646,631	10,431	-	1,657,062
Licensed vehicles	535,224	-	535,224	-	-	535,224
Total capital assets being depreciated	<u>94,982,333</u>	<u>(51,449)</u>	<u>94,930,885</u>	<u>2,374,785</u>	<u>-</u>	<u>97,305,669</u>
Less accumulated depreciation:						
Infrastructure	11,444,468	(12,898)	11,431,570	1,118,750	-	12,550,320
Buildings and improvements	3,569	-	3,569	453	-	4,022
Machinery and equipment	1,342,573	681	1,343,254	78,680	-	1,421,934
Licensed vehicles	320,737	-	320,737	36,799	-	357,536
Total accumulated depreciation	<u>13,111,347</u>	<u>(12,217)</u>	<u>13,099,130</u>	<u>1,234,682</u>	<u>-</u>	<u>14,333,812</u>
Total capital assets being depreciated, net	<u>81,870,986</u>	<u>(39,232)</u>	<u>81,831,754</u>	<u>1,140,103</u>	<u>-</u>	<u>82,971,857</u>
Proprietary activities capital assets, net	<u>\$87,335,789</u>	<u>\$ (89,526)</u>	<u>\$87,246,263</u>	<u>\$1,791,510</u>	<u>\$(1,629,769)</u>	<u>\$ 87,408,004</u>
Proprietary activities:						
Water				\$ 763,111		
Sanitary				184,756		
Storm				257,563		
Telecom				29,252		
Total depreciation expense - proprietary activities				<u>\$1,234,682</u>		

**CITY OF SHERWOOD, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2017**

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

**D. Capital leases**

In prior years the City entered into lease agreements as lessee for financing the acquisition of office equipment valued at \$90,849. The equipment has between 5 and 8 year estimated useful lives. This year, \$14,417 was included in depreciation expense. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017, were as follows:

Year ending June 30	Governmental Activities
2018	\$ 17,988
2019	14,141
2020	14,141
2021	5,892
Total minimum lease payments	52,162
Less: amount representing interest	(5,762)
Present value of minimum lease payments	<u>\$ 46,400</u>

**E. Accounts payable and other current liabilities**

Accounts payable and other current liabilities as of June 30, 2017, are as follows:

	Governmental Funds	Proprietary Funds	Total
Vendor accounts payable	\$ 685,804	\$ 707,724	\$ 1,393,528
Customer deposits	95,789	58,990	154,779
Clean Water Services fees	-	205,673	205,673
Settlement payable	-	507,435	507,435
Other current liabilities	211,293	20,348	231,641
Total accounts payable and other current liabilities	<u>\$ 992,886</u>	<u>\$ 1,500,170</u>	<u>\$ 2,493,056</u>

# CITY OF SHERWOOD, OREGON

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2017

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

#### F. Long-term liabilities

##### 1. Debt outstanding

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

Bonds and loans outstanding and the changes in long-term liabilities for the year ended June 30, 2017 are as follows. Note that stated interest rates relate to identified maturities and the City holds no variable interest obligations. The City issued bank qualified debt to refinance previously outstanding debt in proprietary activities to take advantage of favorable interest rates. The result is expected to be a decrease in future debt service payments of \$543,150.

	Original Amount	Per Statements June 30, 2016	Restatement	Restated June 30, 2016	Issued	Matured/ Redeemed During Year	Outstanding June 30, 2017	Due Within One Year
<b>Governmental activities</b>								
General Obligation Bonds								
2004 A&B Refunding (interest 1-3.8%)	\$6,045,000	\$ 600,000	\$ -	\$ 600,000	\$ -	\$ (600,000)	\$ -	\$ -
2011 Police Refunding (interest 2-4.04%)	2,305,000	1,235,000	-	1,235,000	-	(230,000)	1,005,000	240,000
Capital Leases								
2012 Pacific Office Automation - Copier	19,500	-	4,550	4,550	-	(3,900)	650	650
2015 De Lage Landen Copiers	63,349	-	55,958	55,958	-	(12,670)	43,288	12,670
2015 Pacific Office Automation - Plotter	8,000	-	4,923	4,923	-	(2,462)	2,461	2,461
Long-term Loans:								
2001 YMCA Expansion (interest 2.76-5.4%)	1,970,000	180,000	-	180,000	-	(180,000)	-	-
Long-term Loans URA:								
2006 URA Streets #2 (3.66% -4.45%)	6,400,000	4,170,133	-	4,170,133	-	(307,325)	3,862,808	319,419
2010 URA Cannery & Streets (interest 4.65%)	7,065,000	5,580,000	-	5,580,000	-	(285,000)	5,295,000	300,000
2010 URA Cannery Projects (interest 2%)	8,500,000	5,898,888	-	5,898,888	-	(1,133,521)	4,765,367	1,156,191
2012 Civic bldg & Street Refunding (interest 3.0%)	5,245,000	3,585,000	-	3,585,000	-	(455,000)	3,130,000	470,000
Total of long-term debt for governmental activities		21,249,021	65,431	21,314,452	-	(3,209,878)	18,104,574	2,501,391
Premium on bonds issued		305,352	-	305,352	-	(42,355)	262,997	42,355
Total of long-term debt and premiums for governmental activities		<u>\$ 21,554,373</u>	<u>\$ 65,431</u>	<u>\$ 21,619,804</u>	<u>\$ -</u>	<u>\$ (3,252,233)</u>	<u>\$ 18,367,571</u>	<u>\$ 2,543,746</u>
<b>Proprietary activities</b>								
Long-term Obligations for Enterprise activities								
2008 SDW Water Reservoir (interest 3.55%)	6,000,000	\$ 4,615,665	\$ -	\$ 4,615,665	\$ -	\$(4,615,665)	\$ -	\$ -
2009 SDW Water Pipeline (interest 3.83%)	6,000,000	4,887,905	-	4,887,905	-	(4,887,905)	-	-
2011 Water Projects (interest 2-5%)	14,165,000	12,575,000	-	12,575,000	-	(415,000)	12,160,000	430,000
2017 Water Refinancing (interest 2.29%)	9,189,000	-	-	-	9,189,000	-	9,189,000	707,000
Total of long-term debt for proprietary activities		22,078,570	-	22,078,570	9,189,000	(9,918,570)	21,349,000	1,137,000
Premium on bonds issued		148,550	-	148,550	-	(7,427)	141,123	7,428
Total of long-term debt and premiums for proprietary activities		<u>\$ 22,227,120</u>	<u>\$ -</u>	<u>\$ 22,227,120</u>	<u>\$ 9,189,000</u>	<u>\$ (9,925,997)</u>	<u>\$ 21,490,123</u>	<u>\$ 1,144,428</u>

	Outstanding June 30, 2016	Increases	Decreases	Outstanding June 30, 2017	Due Within One Year
Compensated absences payable					
Governmental activities	\$558,839	\$ 46,148	\$ (2,994)	\$ 601,993	\$240,797
Proprietary activities	86,368	21,521	-	107,889	43,156
Total	<u>\$645,207</u>	<u>\$ 67,669</u>	<u>\$ (2,994)</u>	<u>\$ 709,882</u>	<u>\$283,953</u>

Compensated absences in governmental activities have historically been paid in large part out of the general fund (about 75%) with about 25% being paid out of Street Operations.



# CITY OF SHERWOOD, OREGON

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2017

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

#### F. Long-term liabilities (Continued)

##### 2. Debt service requirements

Fiscal Year Ending June 30,	Governmental Activities					Proprietary Activities		
	GO Bonds	Capital Leases	Loans - URA	Interest	Total Govern- mental Activities	Principal on Loans	Interest	Total Proprietary Activities
2018	\$ 240,000	\$ 15,781	\$ 2,245,610	\$ 628,590	\$ 3,129,981	\$ 1,137,000	\$ 761,170	\$ 1,898,170
2019	245,000	12,670	2,310,910	555,055	3,123,635	1,034,000	724,605	1,758,605
2020	255,000	12,670	2,376,760	478,664	3,123,094	1,068,000	693,242	1,761,242
2021	265,000	5,279	2,453,247	396,929	3,120,455	1,102,000	660,759	1,762,759
2022	-	-	1,148,861	319,676	1,468,537	1,136,000	627,155	1,763,155
2023-2027	-	-	4,997,787	960,512	5,958,299	6,268,000	2,541,660	8,809,660
2028-2032	-	-	1,520,000	143,453	1,663,453	6,129,000	1,485,132	7,614,132
2033-2037	-	-	-	-	-	3,475,000	445,250	3,920,250
	<u>\$1,005,000</u>	<u>\$46,400</u>	<u>\$17,053,175</u>	<u>\$3,482,879</u>	<u>\$21,587,454</u>	<u>\$21,349,000</u>	<u>\$ 7,938,973</u>	<u>\$29,287,973</u>

#### G. Transfers

Transfers are used to (1) eliminate the negative fund balance in the Debt Service fund, (2) move funds from Street Capital Fund to General Construction to finance trail improvements.

Transfers Out:		Transfers In:		
Fund		General Construction	Debt Service	Total
1	General Fund	\$ -	\$ 45,000	\$ 45,000
2	Street Capital Fund	57,758	-	57,758
Total		<u>\$ 57,758</u>	<u>\$ 45,000</u>	<u>\$ 102,758</u>

##### Purpose:

- 1 To eliminate negative fund balance
- 2 To fund Cedar Creek Trail

#### H. Special item

On September 16, 2008, the City of Sherwood adopted Ordinance 2008-011 at which time Clean Water Services (CWS) became subject to a Right of Way (ROW) fee imposed by the ordinance. On July 1, 2010, the City began withholding the ROW fee from revenue collected by the City on behalf of CWS, although CWS and the City disagreed as to whether CWS could be subject to the ROW fee. Since early 2015, the City and CWS have been working through the IGA dispute resolution process to attempt to resolve the disagreement between the parties regarding the City's withholding of the ROW fee. A settlement agreement, effective July 31, 2017, was approved by City Council on June 6, 2017.

## **CITY OF SHERWOOD, OREGON**

### **NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2017**

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

##### **H. Special item (Continued)**

The City has agreed to contribute \$507,435 from its sanitary sewer fund toward the CWS Onion Flats Project and CWS has agreed not to raise rates on City ratepayers in order to recoup any of the amounts it claims to be in dispute. A separate agreement was reached regarding the continued withholding of the ROW fee.

#### **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 liability, property, and auto insurance from City/County Insurance Services (CIS) to minimize its financial exposure to these risks. In addition, the City purchases workers compensation insurance from SAIF. Settled claims have not exceeded any coverage for any of the past three years and there are no current claims that would exceed coverage limits.

##### **B. Pension plan**

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

Substantially all City employees are members in the Oregon Public Employees Retirement System (PERS); a cost-sharing multiple-employer defined benefit pension plan that acts as a common investment and administrative agent for government units in the State of Oregon. Employees hired before August 29, 2003 belong to the Tier One/Tier Two Retirement Benefit Program (established pursuant to ORS Chapter 238), while employees hired on or after August 29, 2003 belong to the OPSRP Pension Program (established pursuant to ORS Chapter 238A). PERS produces an independently audited CAFR which can be found at: <http://www.oregon.gov/PERS/Documents/Financials/CAFR/2016-CAFR.pdf>

###### *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.

## CITY OF SHERWOOD, OREGON

### NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2017

#### III. OTHER INFORMATION (Continued)

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

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

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.

###### 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 (including PERS judge members) 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 for creditable service earned before October 2013 is 2.00%. The COLA for creditable service earned after October 2013 is calculated as 1.25% on the first \$60,000 of annual benefit and 0.15% on amounts above \$60,000 of annual benefit.

##### 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 by formula for members who attain normal retirement age.

## **CITY OF SHERWOOD, OREGON**

### **NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2017**

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

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

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

For general service members, 1.5% 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. For police and fire members, 1.8% 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.

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 for creditable service earned before October 2013 is 2.00%. The COLA for creditable service earned after October 2013 is calculated as 1.25% on the first \$60,000 of annual benefit and 0.15% on amounts above \$60,000 of annual benefit.

##### **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.

## CITY OF SHERWOOD, OREGON

### NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2017

#### III. OTHER INFORMATION (Continued)

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

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

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.

###### 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.

###### Recordkeeping

PERS contracts with VOYA Financial to maintain IAP participant records.

###### 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. Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation as subsequently modified by 2015 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2015. Employer contributions for the year ended June 30, 2017 were \$964,354, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2017 were 16.62 percent for Tier One/Tier Two General Service Member and Police and Fire, 10.36 percent for OPSRP Pension Program General Service Members, and 14.47 percent for OPSRP Pension Program Police and Fire Members.

Covered employees are required to contribute 6% of their salary to the Plan, but the employer is allowed to pay any or all of the employees' contribution in addition to the required employers' contribution. The City has elected to contribute the 6% "pick-up" or \$415,678 of the employees' contribution.

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

At June 30, 2017, the City reported a liability of \$12,387,447 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to June 30, 2016. The City's proportion of the net pension liability 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. As of the measurement date of June 30, 2016, the City's proportion was 0.0825 percent, which is a decrease from its proportion of 0.0903 percent measured as of June 30, 2015.

# CITY OF SHERWOOD, OREGON

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2017

### 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)

The Oregon Supreme Court (Court) ruled on April 30, 2015 that certain provisions of Senate Bill (SB) 861, signed into law in October 2013, were unconstitutional. SB 861 included provisions that limited post-retirement COLA on benefits accrued prior to the signing of the law.

The Court ruled that 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. PERS 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 change in benefit items was reflected in the current valuation.

For the year ended June 30, 2017, the City's recognized pension expense of \$2,129,911. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 409,831	\$ -
Changes in assumptions	2,641,944	-
Net difference between projected and actual earnings on investments	2,447,239	-
Changes in proportionate share	101,506	416,535
Differences between employer contributions and employer's proportionate share of system contributions	96,905	157,919
City contributions subsequent to the measurement date	964,354	-
Total	<u>\$ 6,661,779</u>	<u>\$ 574,454</u>

\$964,354 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, 2018. 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:	
2017	\$ 899,889
2018	899,889
2019	1,800,983
2020	1,345,900
2021	176,311
	<u>\$ 5,122,972</u>

## CITY OF SHERWOOD, OREGON

### NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2017

#### III. OTHER INFORMATION (Continued)

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

###### 5. Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial methods and assumptions:

Valuation Date	12/31/2014
Measurement Date	06/30/2016
Experience Study	2014, published September 2015
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	2.50% (reduced from 2.75%)
Investment Rate of Return	7.50% (reduced from 7.75%)
Discount Rate	7.50% (reduced from 7.75%)
Projected Salary Increases	3.50% (reduced from 3.75%)
Cost of Living Adjustment	Blend of 2.0% COLA and graded COLA (1.25%/0.15%) in accordance with the <i>Moro</i> decision, blend based on service.
Mortality	<b>Healthy retirees and beneficiaries:</b> RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation. <b>Active members:</b> Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. <b>Disabled retirees:</b> Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per Scale BB, disabled mortality table.

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 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

**CITY OF SHERWOOD, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2017**

**III. OTHER INFORMATION (Continued)**

**B. Pension plan (Continued)**

*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 2015 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.

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	8.00 %	4.00 %
Short-Term Bonds	8.00	3.61
Bank/Leveraged Loans	3.00	5.42
High Yield Bonds	1.00	6.20
Large/Mid Cap US Equities	15.75	6.70
Small Cap US Equities	1.31	6.99
Micro Cap US Equities	1.31	7.01
Developed Foreign Equities	13.13	6.73
Emerging Market Equities	4.12	7.25
Non-US Small Cap Equities	1.88	7.22
Private Equity	17.50	7.97
Real Estate (Property)	10.00	5.84
Real Estate (REITS)	2.50	6.69
Hedge Fund of Funds – Diversified	2.50	4.64
Hedge Fund – Event-driven	0.63	6.72
Timber	1.88	5.85
Farmland	1.88	6.37
Infrastructure	3.75	7.13
Commodities	1.88	4.58
Total	100 %	
Assumed Inflation – Mean		2.50 %



## CITY OF SHERWOOD, OREGON

### NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2017

#### III. OTHER INFORMATION (Continued)

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

###### 7. Discount rate

The discount rate used to measure the total pension liability was 7.50 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.

###### 8. Sensitivity of the City's proportionate share of the net pension liability 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 7.5 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 (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability (asset)	\$ 20,001,592	\$ 12,387,444	\$ 6,023,349

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

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

###### 10. Changes in plan provisions subsequent to measurement date

The PERS Board lowered the Assumed Rate of Return from 7.50% to 7.20% on July 28, 2017. This change is effective January 1, 2018, and will increase the net pension liability in future periods.

##### C. Postemployment Benefits Other than Pensions

Plan Description – As a member of Oregon Public Employees Retirement System (PERS) 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 PERS. 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. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report is available online at <http://www.oregon.gov/PERS/Documents/Financials/CAFR/2016-CAFR.pdf>.

# CITY OF SHERWOOD, OREGON

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2017

### III. OTHER INFORMATION (Continued)

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

Funding Policy – Given that RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premium coverage, whichever is less, shall be paid from the RHIA established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or received disability allowance as if the member had eight years or more of credible service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating cities are contractually required to contribute to RHIA at a rate assessed each year by PERS, currently 0.53 percent of annual covered payroll for Tier one/Tier two and .45 percent for OPSRP. The PERS Board of Trustees sets the employer contribution rate based on the annual required contributions (ARC) of the employers, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed ten years. The City's contributions to RHIA were included in contributions made to PERS.

### IV. COMMITMENTS AND CONTINGENCIES

The City is involved in various claims and legal matters relating to its operations which the City does not believe have a material impact on its June 30, 2017 financial statements.

The City has outstanding commitments at June 30, 2017 totaling \$225,991 related to construction contracts.

### V. RESTATEMENT - PRIOR PERIOD ADJUSTMENTS

In the prior period, the amount recorded for fixed assets was incorrectly stated due to errors in previous years. Upon increasing internal controls over fixed asset reporting the errors were found and determined to be material to the financial statements. An additional adjustment was made for incorrect recording of a customer deposit as well as an adjustment for recording of capital leases payable. Net position has been restated as follows:

	Governmental Activities	Proprietary Type Activities	Total
Net position - beginning (as originally reported)	\$ 65,363,929	\$80,313,229	\$ 145,677,158
Cumulative effect of correction for leases payable	(65,431)	-	(65,431)
Cumulative effect of correction for capital assets	3,869,473	(101,745)	3,767,728
Cumulative effect of correction for depreciation	(619,098)	12,219	(606,879)
Cumulative effect of correction for customer deposits	-	36,000	36,000
Net position - beginning (as restated)	<u>\$ 68,548,873</u>	<u>\$80,259,703</u>	<u>\$ 148,808,576</u>

**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, 2017**

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$5,276,507	\$5,276,507	\$ 5,185,821	\$ (90,686)
Franchises and fees	1,898,000	1,898,000	1,862,444	(35,556)
Intergovernmental	1,798,656	1,893,330	1,862,747	(30,583)
Charges for services	1,430,778	1,430,778	1,329,175	(101,603)
Fines and forfeitures	1,091,778	1,091,778	1,158,489	66,711
Interest	23,000	23,000	37,472	14,472
Miscellaneous	55,300	55,300	45,384	(9,916)
<b>TOTAL REVENUES</b>	<b>11,574,019</b>	<b>11,668,693</b>	<b>11,481,532</b>	<b>(187,161)</b>
<b>EXPENDITURES:</b>				
Administration	2,564,209	2,686,684	2,623,271	63,413
Community development	1,493,906	1,579,964	1,529,152	50,812
Public safety	3,582,698	3,582,698	3,425,907	156,791
Community services	1,872,563	1,909,119	1,853,341	55,778
Public works	2,426,605	2,381,463	2,118,252	263,211
Debt Service	136,796	137,166	137,166	-
Contingency	578,701	252,891	-	252,891
<b>TOTAL EXPENDITURES</b>	<b>12,655,478</b>	<b>12,529,985</b>	<b>11,687,089</b>	<b>842,896</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(1,081,459)</b>	<b>(861,292)</b>	<b>(205,557)</b>	<b>655,735</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	160,284	-	-	-
Transfers out	-	(45,000)	(45,000)	-
Sale of capital assets	-	-	4,793	4,793
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>160,284</b>	<b>(45,000)</b>	<b>(40,207)</b>	<b>4,793</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(921,175)</b>	<b>(906,292)</b>	<b>(245,764)</b>	<b>660,528</b>
<b>FUND BALANCE - beginning of year</b>	<b>2,815,353</b>	<b>2,815,353</b>	<b>3,082,999</b>	<b>267,646</b>
<b>FUND BALANCE - end of year</b>	<b>\$1,894,178</b>	<b>\$1,909,061</b>	<b>\$ 2,837,235</b>	<b>\$ 928,174</b>

# 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, 2017

	Budget			
	Original	Final	Actual	Variance
<b>REVENUES:</b>				
Intergovernmental	\$ 1,138,000	\$ 1,138,000	\$ 1,215,524	\$ 77,524
Charges for services	586,740	586,740	652,716	65,976
Interest	10,000	10,000	24,271	14,271
Miscellaneous	325	325	-	(325)
<b>TOTAL REVENUES</b>	<u>1,735,065</u>	<u>1,735,065</u>	<u>1,892,511</u>	<u>157,446</u>
<b>EXPENDITURES:</b>				
Personnel services	371,034	371,034	380,359	(9,325) *
Materials and services	1,642,778	1,687,048	1,150,690	536,358 *
Capital outlay	25,000	25,000	233,398	(208,398) *
Contingency	86,753	86,753	-	86,753
<b>TOTAL EXPENDITURES</b>	<u>2,125,565</u>	<u>2,169,835</u>	<u>1,764,447</u>	<u>405,388</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(390,500)</u>	<u>(434,770)</u>	<u>128,064</u>	<u>562,834</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(72,597)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(72,597)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(463,097)</u>	<u>(434,770)</u>	<u>128,064</u>	<u>562,834</u>
<b>FUND BALANCE - beginning of year</b>	<u>1,718,198</u>	<u>1,718,198</u>	<u>2,166,298</u>	<u>448,100</u>
<b>FUND BALANCE - end of year</b>	<u>\$ 1,255,101</u>	<u>\$ 1,283,428</u>	<u>\$ 2,294,362</u>	<u>\$ 1,010,934</u>

\* Expenditures in this fund are appropriated at the level of "Street Operations" meaning that personnel services, materials and services, and capital outlay are combined to determine budget compliance.

# 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, 2017

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$3,922,015	\$3,922,015	\$ 3,723,058	\$ (198,957)
Fines, interest and other	18,000	18,000	22,000	4,000
<b>TOTAL REVENUES</b>	<u>3,940,015</u>	<u>3,940,015</u>	<u>3,745,058</u>	<u>(194,957)</u>
<b>EXPENDITURES:</b>				
Personnel services	127,744	127,744	140,694	(12,950) *
Materials and services	104,454	104,454	326,258	(221,804) *
Capital outlay	565,711	565,711	30,402	535,309 *
Debt service	2,838,854	2,838,854	2,838,854	-
Contingency	197,001	197,001	-	197,001
<b>TOTAL EXPENDITURES</b>	<u>3,833,764</u>	<u>3,833,764</u>	<u>3,336,208</u>	<u>497,556</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>106,251</u>	<u>106,251</u>	<u>408,850</u>	<u>302,599</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sale of capital assets	50,000	50,000	-	(50,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>
<b>NET CHANGE IN FUND BALANCE</b>	156,251	156,251	408,850	252,599
<b>FUND BALANCE - beginning of year</b>	<u>1,337,538</u>	<u>1,337,538</u>	<u>1,384,041</u>	<u>46,503</u>
<b>FUND BALANCE - end of year</b>	<u>\$1,493,789</u>	<u>\$1,493,789</u>	<u>\$ 1,792,891</u>	<u>\$ 299,102</u>

\* Expenditures in this fund are appropriated at the level of "URA operations" meaning that personnel services, materials and services, and capital outlay are combined to determine budget compliance.

# CITY OF SHERWOOD

Sherwood, Oregon

## SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

For the last four fiscal years <sup>1,2</sup>

Year Ended June 30,	(a) City's proportion of the net pension liability (asset)	(b) City's proportionate share of the net pension liability (asset)	(c) City's covered payroll	(b/c) City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.0825%	\$ 12,387,444	\$ 7,318,363	169.27%	80.53%
2016	0.0903%	5,181,815	6,379,226	81.23%	91.88%
2015	0.0826%	(1,872,341)	6,207,920	-30.16%	103.59%
2014	0.0826%	4,215,278	5,921,428	71.19%	91.97%

<sup>1</sup> 10-year trend information required by GASB Statement 68 will be presented prospectively

<sup>2</sup> Amounts presented are for the measurement period reported during the fiscal year, which for FY 2017 is July 1, 2015 - June 30, 2016

## SCHEDULE OF PLAN CONTRIBUTIONS

For the last four fiscal years <sup>1</sup>

Year Ended June 30,	(a) Statutorily required contribution	(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
2017	\$ 964,354	\$ 964,354	\$ -	\$ 7,239,308	13.32 %
2016	904,156	904,156	-	7,318,363	12.35
2015	749,886	749,886	-	6,379,226	11.76
2014	779,090	779,090	-	6,207,920	12.55

<sup>1</sup> 10-year trend information required by GASB Statement 68 will be presented prospectively

## **CITY OF SHERWOOD**

Sherwood, Oregon

### **NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2017**

#### **I. BUDGET**

Required Supplementary Information includes the budgetary comparison for the General, Street Operations, and Urban Renewal Operations Funds. The budgetary comparison information for all other funds can be found in Other Supplementary Information which follows this section.

Budgets for all funds are prepared on the modified accrual basis of accounting. The level of budgetary control is set at the department level for the General Fund and at the operating program level for Street Operations and Urban Renewal Operations. All annual appropriations lapse at fiscal year-end.

The City did not over expend its appropriations in any Funds.

#### **II. SIGNIFICANT FACTORS AFFECTING OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM AS OF JUNE 30, 2017**

##### **Changes in Plan Provisions Subsequent to Measurement Date**

Paragraph 80f of GASB 68 requires employers to briefly describe any changes between the Measurement Date and the employer's reporting date that are expected to have a significant effect on the employer's share of the collective Net Pension Liability, along with an estimate of the resulting change, if available.

During a July 28, 2017 meeting, the PERS Board lowered the assumed investment rate of return from 7.5% to 7.2%, effective on January 1, 2018. This rate will be used for the determination of contribution rates beginning July 1, 2019. The Board revises the assumed rate based on the long-term projection of investment returns that can be expected from the asset allocations of the Oregon Investment Council and related capital market expectations. An estimate of the resulting change is not readily available at this time.



## **OTHER SUPPLEMENTARY INFORMATION**

**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, 2017**

	Budget			
	Original	Final	Actual	Variance
<b>REVENUES:</b>				
Intergovernmental	\$ 158,000	\$ 158,000	\$ -	\$ (158,000)
Charges for services	51,000	51,000	64,804	13,804
Infrastructure development fees	496,783	496,783	503,311	6,528
Interest	12,000	12,000	30,429	18,429
<b>TOTAL REVENUES</b>	<u>717,783</u>	<u>717,783</u>	<u>598,544</u>	<u>(119,239)</u>
<b>EXPENDITURES:</b>				
Personnel services	78,602	78,602	46,894	31,708
Materials and services	70,652	220,652	138,120	82,532
Capital outlay	461,787	461,787	57,088	404,699
<b>TOTAL EXPENDITURES</b>	<u>611,041</u>	<u>761,041</u>	<u>242,102</u>	<u>518,939</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>106,742</u>	<u>(43,258)</u>	<u>356,442</u>	<u>399,700</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	<u>(165,371)</u>	<u>(165,371)</u>	<u>(57,757)</u>	<u>107,614</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(58,629)</u>	<u>(208,629)</u>	<u>298,685</u>	<u>507,314</u>
<b>FUND BALANCE - beginning of year</b>	<u>1,995,933</u>	<u>1,995,933</u>	<u>2,666,521</u>	<u>670,588</u>
<b>FUND BALANCE - end of year</b>	<u><u>\$1,937,304</u></u>	<u><u>\$1,787,304</u></u>	<u><u>\$2,965,206</u></u>	<u><u>\$ 1,177,902</u></u>

**CITY OF SHERWOOD**  
Sherwood, Oregon

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2017**

	Debt Service	Capital Project Fund Gen Const	Totals
<b>ASSETS:</b>			
Cash and investments	\$ 21,891	\$ 101,396	\$ 123,287
Restricted cash and investments	-	817,510	817,510
Receivables	49,587	9,557	59,144
<b>TOTAL ASSETS</b>	<u>\$ 71,478</u>	<u>\$ 928,463</u>	<u>\$ 999,941</u>
<b>LIABILITIES:</b>			
Accounts payable	\$ -	\$ 1,785	\$ 1,785
Payroll payable	-	1,642	1,642
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>3,427</u>	<u>3,427</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	42,915	-	42,915
<b>FUND BALANCES:</b>			
Restricted	28,563	826,566	855,129
Committed	-	98,470	98,470
<b>TOTAL FUND BALANCES</b>	<u>28,563</u>	<u>925,036</u>	<u>953,599</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<u>\$ 71,478</u>	<u>\$ 928,463</u>	<u>\$ 999,941</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, 2017**

	Debt Service	Capital Project Fund Gen Const	Totals
<b>REVENUES:</b>			
Property taxes	\$ 905,694	\$ -	\$ 905,694
Franchises and fees	-	40,455	40,455
Charges for services	-	23,428	23,428
Infrastructure development fees	-	262,682	262,682
Interest and other	2,810	12,553	15,363
<b>TOTAL REVENUES</b>	<u>908,504</u>	<u>339,118</u>	<u>1,247,622</u>
<b>EXPENDITURES:</b>			
Current			
Public works	-	110,399	110,399
Noncurrent			
Capital outlay	-	838,158	838,158
Debt service	891,300	47,694	938,994
<b>TOTAL EXPENDITURES</b>	<u>891,300</u>	<u>996,251</u>	<u>1,887,551</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>17,204</u>	<u>(657,133)</u>	<u>(639,929)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	45,000	57,757	102,757
<b>NET CHANGE IN FUND BALANCE</b>	62,204	(599,376)	(537,172)
<b>FUND BALANCE - beginning of year</b>	<u>(33,641)</u>	<u>1,524,412</u>	<u>1,490,771</u>
<b>FUND BALANCE - end of year</b>	<u>\$ 28,563</u>	<u>\$ 925,036</u>	<u>\$ 953,599</u>

**CITY OF SHERWOOD**

Sherwood, Oregon

**DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 891,300	\$ 891,300	\$ 905,694	\$ 14,394
Interest	1,750	1,750	2,809	1,059
<b>TOTAL REVENUES</b>	<u>893,050</u>	<u>893,050</u>	<u>908,503</u>	<u>15,453</u>
<b>EXPENDITURES:</b>				
Debt service	891,300	891,300	891,300	-
<b>TOTAL EXPENDITURES</b>	<u>891,300</u>	<u>891,300</u>	<u>891,300</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>1,750</u>	<u>1,750</u>	<u>17,203</u>	<u>15,453</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	45,000	45,000	45,000
<b>NET CHANGE IN FUND BALANCE</b>	1,750	46,750	62,203	15,453
<b>FUND BALANCE - beginning of year</b>	<u>1,708</u>	<u>1,708</u>	<u>(33,640)</u>	<u>(35,348)</u>
<b>FUND BALANCE - end of year</b>	<u>\$ 3,458</u>	<u>\$ 48,458</u>	<u>\$ 28,563</u>	<u>\$ (19,895)</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, 2017**

	Budget			
	Original	Final	Actual	Variance
<b>REVENUES:</b>				
Franchises and fees	\$ 40,000	\$ 40,000	\$ 40,455	\$ 455
Intergovernmental	81,418	-	-	-
Charges for services	16,000	16,000	23,428	7,428
Infrastructure development fees	347,464	347,464	262,682	(84,782)
Interest and other	6,000	6,000	12,553	6,553
<b>TOTAL REVENUES</b>	<u>490,882</u>	<u>409,464</u>	<u>339,118</u>	<u>(70,346)</u>
<b>EXPENDITURES:</b>				
Personnel services	57,302	57,302	51,343	5,959
Materials and services	382,158	322,158	59,056	263,102
Capital outlay	1,092,345	1,148,345	838,158	310,187
Debt service	47,983	47,983	47,694	289
<b>TOTAL EXPENDITURES</b>	<u>1,579,788</u>	<u>1,575,788</u>	<u>996,251</u>	<u>579,537</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(1,088,906)</u>	<u>(1,166,324)</u>	<u>(657,133)</u>	<u>509,192</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	165,371	165,371	57,757	(107,614)
<b>NET CHANGE IN FUND BALANCE</b>	<u>(923,535)</u>	<u>(1,000,953)</u>	<u>(599,376)</u>	<u>401,577</u>
<b>FUND BALANCE - beginning of year</b>	<u>1,153,758</u>	<u>1,153,758</u>	<u>1,524,411</u>	<u>370,653</u>
<b>FUND BALANCE - end of year</b>	<u>\$ 230,223</u>	<u>\$ 152,805</u>	<u>\$ 925,035</u>	<u>\$ 772,230</u>

# CITY OF SHERWOOD

Sherwood, Oregon

## WATER FUND

### SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2017

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Charges for services	\$5,102,300	\$ 5,102,300	\$ 5,450,689	\$ 348,389
Infrastructure development fees	453,697	453,697	252,157	(201,540)
Interest	46,000	46,000	111,591	65,591
<b>TOTAL REVENUES</b>	<u>5,601,997</u>	<u>5,601,997</u>	<u>5,814,437</u>	<u>212,440</u>
<b>EXPENDITURES:</b>				
Operations	3,240,494	3,439,619	2,739,194	700,425
Capital	25,033	25,033	20,115	4,918
Debt Service	1,836,468	11,025,468	11,021,762	3,706
Contingency	424,525	257,659	-	257,659
<b>TOTAL EXPENDITURES</b>	<u>5,526,520</u>	<u>14,747,779</u>	<u>13,781,071</u>	<u>966,708</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>75,477</u>	<u>(9,145,782)</u>	<u>(7,966,634)</u>	<u>1,179,148</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(32,259)	-	-	-
Issuance of long-term debt	-	9,189,000	9,189,000	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(32,259)</u>	<u>9,189,000</u>	<u>9,189,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	43,218	43,218	1,222,366	1,179,148
<b>FUND BALANCE - beginning of year</b>	<u>8,471,183</u>	<u>8,471,183</u>	<u>9,533,036</u>	<u>1,061,853</u>
<b>FUND BALANCE - end of year</b>	<u><u>\$8,514,401</u></u>	<u><u>\$ 8,514,401</u></u>	<u><u>\$ 10,755,402</u></u>	<u><u>\$ 2,241,001</u></u>

#### Reconciliation of budget basis to GAAP basis

Change in fund balance - budgetary basis	\$ 1,222,366
Pension expense	(57,511)
Depreciation expense	(763,111)
Expenditures capitalized	73,315
Contributed assets	176,157
Issuance of long term debt	(9,189,000)
Principal payments on long-term obligations	9,918,569
Change in accrued interest on long-term obligations	178,560
Change in compensated absences	(9,655)
Amortization of debt premium	7,427
Change in net position - GAAP basis	<u><u>\$ 1,557,117</u></u>

Fund balance - budgetary basis	\$ 10,755,402
Net pension liability	(645,132)
Deferred outflows	346,942
Deferred inflows	(29,917)
Capital assets	51,330,133
Long-term obligations and related premium	(21,490,123)
Compensated absences	(51,548)
Accrued interest on long term obligations	(69,359)
Net position - GAAP basis	<u><u>\$ 40,146,398</u></u>

# CITY OF SHERWOOD

Sherwood, Oregon

## SEWER FUND

### SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2017

	Budget			
	Original	Final	Actual	Variance
<b>REVENUES:</b>				
Intergovernmental	\$ 40,000	\$ 40,000	\$ 1,129	\$ (38,871)
Charges for services	644,520	644,520	677,284	32,764
Infrastructure development fees	53,134	53,134	29,869	(23,265)
Interest and other	19,000	19,000	39,623	20,623
<b>TOTAL REVENUES</b>	<b>756,654</b>	<b>756,654</b>	<b>747,905</b>	<b>(8,749)</b>
<b>EXPENDITURES:</b>				
Operations	624,082	610,206	509,510	100,696
Capital	336,824	336,824	173,141	163,683
Contingency	32,526	32,526	-	32,526
<b>TOTAL EXPENDITURES</b>	<b>993,432</b>	<b>979,556</b>	<b>682,651</b>	<b>296,905</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(236,778)</b>	<b>(222,902)</b>	<b>65,254</b>	<b>288,156</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(19,831)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(19,831)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(256,609)</b>	<b>(222,902)</b>	<b>65,254</b>	<b>288,156</b>
<b>FUND BALANCE - beginning of year</b>	<b>3,349,537</b>	<b>3,349,537</b>	<b>3,227,588</b>	<b>(121,949)</b>
<b>FUND BALANCE - end of year</b>	<b>\$3,092,928</b>	<b>\$3,126,635</b>	<b>\$ 3,292,842</b>	<b>\$ 166,207</b>

Reconciliation of budget basis to GAAP basis

Change in fund balance - budgetary basis	\$ 65,254
Pension expense	(18,800)
Depreciation expense	(184,756)
Expenditures capitalized	153,318
Settlement payment in next fiscal year	(507,435)
Contributed assets	186,442
Change in compensated absences	(1,783)
Change in net position - GAAP basis	<u>\$ (307,760)</u>
Fund balance - budgetary basis	\$ 3,292,842
Net pension liability	(277,623)
Settlement liability in next fiscal year	(507,435)
Deferred outflows	149,301
Deferred inflows	(12,874)
Capital assets	13,472,353
Compensated absences	(18,713)
Net position - GAAP basis	<u>\$ 16,097,851</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, 2017

	Budget			
	Original	Final	Actual	Variance
<b>REVENUES:</b>				
Charges for services	\$ 1,868,454	\$ 1,868,454	\$ 1,860,547	\$ (7,907)
Infrastructure development fees	64,004	64,004	25,620	(38,384)
Interest and other	11,000	11,000	38,483	27,483
<b>TOTAL REVENUES</b>	<u>1,943,458</u>	<u>1,943,458</u>	<u>1,924,650</u>	<u>(18,808)</u>
<b>EXPENDITURES:</b>				
Operations	1,394,067	1,426,191	1,009,335	416,856
Capital	329,673	329,673	270,009	59,664
Contingency	179,952	179,952	-	179,952
<b>TOTAL EXPENDITURES</b>	<u>1,903,692</u>	<u>1,935,816</u>	<u>1,279,344</u>	<u>656,472</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>39,766</u>	<u>7,642</u>	<u>645,306</u>	<u>637,664</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	400,000	400,000	-	(400,000)
Transfers out	(435,597)	(400,000)	-	400,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(35,597)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>4,169</u>	<u>7,642</u>	<u>645,306</u>	<u>637,664</u>
<b>FUND BALANCE</b> - beginning as originally stated	<u>2,292,843</u>	<u>2,292,843</u>	<u>3,069,420</u>	<u>776,577</u>
Cumulative effect of restated fund balance	-	-	36,000	36,000
<b>FUND BALANCE</b> - beginning of year	<u>2,292,843</u>	<u>2,292,843</u>	<u>3,105,420</u>	<u>812,577</u>
<b>FUND BALANCE</b> - end of year	<u>\$ 2,297,012</u>	<u>\$ 2,300,485</u>	<u>\$ 3,750,726</u>	<u>\$ 1,450,241</u>
Reconciliation of budget basis to GAAP basis				
Change in fund balance - budget basis			\$ 645,306	
Pension expense			(28,174)	
Depreciation expense			(257,563)	
Contributed assets			285,206	
Expenditures capitalized			454,294	
Change in compensated absences			(7,690)	
Change in net position - GAAP basis			<u>\$ 1,091,379</u>	
Fund balance - budget basis			\$ 3,750,726	
Net pension liability			(384,490)	
Deferred outflows			206,773	
Deferred inflows			(17,831)	
Capital assets			22,114,136	
Compensated absences			(32,271)	
Net position - GAAP basis			<u>\$ 25,637,043</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, 2017**

	Budget			
	Original	Final	Actual	Variance
<b>REVENUES:</b>				
Charges for services	\$ 468,860	\$ 468,860	\$ 445,468	\$ (23,392)
Interest	1,200	1,200	4,073	2,873
<b>TOTAL REVENUES</b>	<u>470,060</u>	<u>470,060</u>	<u>449,541</u>	<u>(20,519)</u>
<b>EXPENDITURES:</b>				
Personnel services	110,678	110,678	80,350	30,328
Materials and services	233,051	233,051	202,102	30,949
Capital outlay	60,000	60,000	10,430	49,570
Contingency	23,503	23,503	-	23,503
<b>TOTAL EXPENDITURES</b>	<u>427,232</u>	<u>427,232</u>	<u>292,882</u>	<u>134,350</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>42,828</u>	<u>42,828</u>	<u>156,659</u>	<u>113,831</u>
<b>FUND BALANCE - beginning of year</b>	<u>205,297</u>	<u>205,297</u>	<u>279,214</u>	<u>73,917</u>
<b>FUND BALANCE - end of year</b>	<u><u>\$ 248,125</u></u>	<u><u>\$ 248,125</u></u>	<u><u>\$ 435,873</u></u>	<u><u>\$ 187,748</u></u>

Reconciliation of budgetary basis to GAAP basis

Change in fund balance - budgetary basis	\$ 156,659
Pension expense	(37,215)
Depreciation expense	(29,252)
Contributed assets	57,257
Expenditures capitalized	10,430
Change in compensated absences	<u>(2,392)</u>
Change in net position - GAAP basis	<u><u>\$ 155,487</u></u>
 Fund balance - budgetary basis	 \$ 435,873
Net pension liability	(92,932)
Deferred outflows	49,978
Deferred inflows	(4,310)
Capital assets	491,380
Compensated absences	<u>(5,355)</u>
Net position - GAAP basis	<u><u>\$ 874,634</u></u>

**CITY OF SHERWOOD**

Sherwood, Oregon

**SCHEDULE OF PROPERTY TAX TRANSACTIONS  
YEAR ENDED JUNE 30, 2017**

<u>Tax Year</u>	<u>Uncollected Balances June 30, 2016</u>	<u>2016-17 Levy</u>	<u>Interest, Discounts &amp; Adjustments</u>	<u>Collections</u>	<u>Uncollected Balances June 30, 2017</u>
2016-17	\$ -	\$ 10,149,152	\$ (295,194)	\$ (9,666,354)	\$ 187,604
2015-16	150,637		(6,932)	(72,183)	71,522
2014-15	86,734		2,569	(21,327)	67,976
2013-14	67,731		4,296	(18,818)	53,209
2012-13	46,507		1,420	(12,880)	35,047
2011-12	30,318		(68)	(1,067)	29,183
2010-11 & Prior Years	<u>61,766</u>	<u>                    </u>	<u>220</u>	<u>(2,123)</u>	<u>59,863</u>
Total	<u>\$ 443,693</u>	<u>\$ 10,149,152</u>	<u>\$ (293,689)</u>	<u>\$ (9,794,752)</u>	<u>\$ 504,404</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.	64-67
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.	68-71
<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.	72-75
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment which the City's financial activities take place.	76
<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.	77

**Sources:** Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

**CITY OF SHERWOOD**  
Sherwood, Oregon

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

	2017	2016 as restated	2015 as restated	2014 as restated	2013	2012	2011	2010	2009	2008
Governmental activities										
Net investment in capital assets	\$ 61,929,620	\$ 62,710,458	\$ 61,788,307	\$ 50,984,632	\$ 52,838,930	\$ 53,808,000	\$ 50,616,029	\$ 14,235,108	\$ 12,402,695	\$ 11,348,565
Restricted	7,911,862	7,628,181	6,641,181	10,184,686	2,898,423	4,415,125	3,765,783	94,621	1,040,102	1,023,669
Unrestricted	(3,004,192)	(1,789,766)	1,903,389	5,056,030	9,119,548	6,412,820	6,315,572	(2,605,639)	(1,620,872)	391,698
Total governmental activities net position	<u>66,837,290</u>	<u>68,548,873</u>	<u>70,332,877</u>	<u>66,225,348</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>
Proprietary activities										
Net investment in capital assets	67,095,436	66,183,931	65,183,966	60,286,219	58,296,986	59,730,928	56,643,754	84,563,361	80,054,150	75,543,355
Restricted	5,033,233	4,827,309	4,557,700	4,508,411	3,939,196	3,218,306	-	10,501,066	12,792,835	12,859,547
Unrestricted	10,627,257	9,248,463	8,212,156	7,763,528	8,791,167	5,822,184	9,174,948	7,297,289	5,593,909	5,189,087
Total proprietary activities net position	<u>82,755,926</u>	<u>80,259,703</u>	<u>77,953,822</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>
Government-wide activities										
Net investment in capital assets	129,025,056	128,894,389	126,972,273	111,270,851	111,135,916	113,538,928	107,259,783	98,798,469	92,456,845	86,891,920
Restricted	12,945,095	12,455,490	11,198,881	14,693,097	6,837,619	7,633,431	3,765,783	10,595,687	13,832,937	13,883,216
Unrestricted	7,623,065	7,458,697	10,115,545	12,819,558	17,910,715	12,235,004	15,490,520	4,691,650	3,973,037	5,580,785
Total Government-wide activities net position	<u>\$ 149,593,216</u>	<u>\$ 148,808,576</u>	<u>\$ 148,286,699</u>	<u>\$ 138,783,506</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>

**CITY OF SHERWOOD**  
Sherwood, Oregon

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Expenses</b>										
Governmental activities:										
Administration	\$ 3,393,624	\$ 3,762,148	\$ 2,399,678	\$ 3,029,706	\$ 2,883,811	\$ 2,516,677	\$ 796,230	\$ 4,396,849	\$ 3,355,687	\$ 2,415,467
Community Development	1,651,543	2,038,515	2,729,712	2,362,541	3,666,015	3,256,026	2,923,546	2,094,523	2,658,371	2,585,919
Public Safety	3,722,363	5,091,476	2,533,941	3,535,649	3,265,114	3,339,315	4,100,791	3,817,798	3,937,639	3,698,129
Community Services	2,366,718	2,695,517	1,369,635	1,423,661	1,431,554	1,446,959	1,765,099	1,717,317	1,678,574	1,652,687
Public Works	9,550,440	8,989,818	6,586,383	7,414,223	3,841,187	4,086,621	3,784,575	3,534,781	2,793,301	2,520,009
Interest on long-term obligations	655,929	743,533	817,135	809,553	1,091,076	1,081,817	1,503,754	1,131,451	1,548,302	2,432,283
Total governmental activities	<u>21,340,617</u>	<u>23,321,007</u>	<u>16,436,484</u>	<u>18,575,333</u>	<u>16,178,757</u>	<u>15,727,415</u>	<u>14,873,995</u>	<u>16,692,719</u>	<u>15,971,874</u>	<u>15,304,494</u>
Proprietary activities:										
Water	4,433,477	4,978,817	4,891,188	6,062,543	4,108,763	2,172,456	2,403,737	2,682,923	2,880,009	2,134,630
Sewer	734,672	918,172	628,522	610,702	549,521	495,249	397,484	456,138	526,200	1,833,247
Storm	1,118,477	1,247,121	875,105	1,094,161	942,614	929,770	985,975	671,150	659,026	699,162
Telecommunications	<u>351,311</u>	<u>236,319</u>	<u>257,755</u>	<u>253,373</u>	<u>174,794</u>	<u>147,990</u>	<u>130,510</u>	<u>207,628</u>	<u>320,854</u>	<u>500,580</u>
Total proprietary activities	<u>6,637,937</u>	<u>7,380,429</u>	<u>6,652,570</u>	<u>8,020,779</u>	<u>5,775,692</u>	<u>3,745,465</u>	<u>3,917,706</u>	<u>4,017,839</u>	<u>4,386,089</u>	<u>5,167,619</u>
<b>Total Expenses</b>	<u><b>\$ 27,978,554</b></u>	<u><b>\$ 30,701,436</b></u>	<u><b>\$ 23,089,054</b></u>	<u><b>\$ 26,596,112</b></u>	<u><b>\$ 21,954,449</b></u>	<u><b>\$ 19,472,880</b></u>	<u><b>\$ 18,791,701</b></u>	<u><b>\$ 20,710,558</b></u>	<u><b>\$ 20,357,963</b></u>	<u><b>\$ 20,472,113</b></u>
<b>Revenues</b>										
Governmental activities:										
Charges for services										
Administration	\$ 1,333,927	\$ 1,286,213	\$ 1,066,290	\$ 1,126,323	\$ 924,121	\$ 1,281,663	\$ 1,049,985	\$ 613,475	\$ 715,363	\$ 84,899
Community Development	694,518	580,776	446,008	687,417	535,078	331,001	313,117	263,475	729,620	702,458
Public Safety	10,519	10,062	17,037	8,303	22,655	8,219	15,565	48,975	54,208	52,205
Community Services	442,121	355,560	313,096	335,297	279,359	276,836	272,128	275,851	244,407	209,873
Public Works	747,527	687,514	616,609	632,329	574,717	525,855	43,254	478,161	533,745	346,230
Operating grants and contributions	3,078,271	3,112,506	2,887,486	2,768,146	2,566,862	2,450,372	3,737,468	2,930,611	1,502,756	1,158,996
Capital grants and contributions	1,379,926	2,032,032	3,075,352	2,836,247	1,240,908	4,236,522	4,363,569	1,314,967	3,070,470	391,689
General revenues and transfers	<u>11,942,225</u>	<u>10,287,396</u>	<u>10,977,479</u>	<u>11,209,402</u>	<u>10,256,013</u>	<u>10,555,508</u>	<u>12,724,131</u>	<u>11,087,578</u>	<u>8,862,972</u>	<u>12,257,997</u>
Total governmental activities	<u>19,629,034</u>	<u>18,352,059</u>	<u>19,399,357</u>	<u>19,603,464</u>	<u>16,399,713</u>	<u>19,665,976</u>	<u>22,519,217</u>	<u>17,013,093</u>	<u>15,713,541</u>	<u>15,204,347</u>
Proprietary activities:										
Charges for services										
Water	5,450,689	5,314,365	4,839,176	4,436,294	4,511,739	4,105,712	3,581,283	3,780,473	3,445,457	2,867,092
Sewer	677,284	618,813	599,113	575,710	554,285	523,271	444,953	456,512	329,064	1,497,143
Storm	1,860,547	1,744,234	1,727,594	1,619,100	1,525,022	1,418,566	1,340,927	1,330,603	559,283	479,548
Telecommunications	445,468	523,819	487,387	385,288	318,075	310,838	210,792	186,799	151,999	88,262
Operating grants and contributions	1,129	-	-	1,806,566	-	-	45,000	12,000	1,273,556	-
Capital grants and contributions	1,012,708	1,355,831	4,167,107	1,085,743	1,045,294	488,204	2,351,721	1,265,269	1,659,827	641,278
General revenues, special items, transfers	<u>(313,665)</u>	<u>182,774</u>	<u>78,211</u>	<u>69,954</u>	<u>77,208</u>	<u>(148,410)</u>	<u>216,741</u>	<u>488,796</u>	<u>1,132,128</u>	<u>3,966,596</u>
Total proprietary activities	<u>9,134,160</u>	<u>9,739,836</u>	<u>11,898,588</u>	<u>9,978,655</u>	<u>8,031,623</u>	<u>6,698,181</u>	<u>8,191,417</u>	<u>7,520,452</u>	<u>8,551,314</u>	<u>9,539,919</u>
<b>Total Revenues</b>	<u><b>\$ 28,763,194</b></u>	<u><b>\$ 28,091,895</b></u>	<u><b>\$ 31,297,945</b></u>	<u><b>\$ 29,582,119</b></u>	<u><b>\$ 24,431,336</b></u>	<u><b>\$ 26,364,157</b></u>	<u><b>\$ 30,710,634</b></u>	<u><b>\$ 24,533,545</b></u>	<u><b>\$ 24,264,855</b></u>	<u><b>\$ 24,744,266</b></u>
<b>Change in Net Position</b>										
Governmental Activities	\$ (1,711,583)	\$ (4,968,948)	\$ 2,962,873	\$ 1,028,131	\$ 220,956	\$ 3,938,561	\$ 7,645,222	\$ 320,374	\$ (258,333)	\$ (100,147)
Proprietary Activity	<u>2,496,223</u>	<u>2,359,407</u>	<u>5,246,018</u>	<u>1,957,876</u>	<u>2,255,931</u>	<u>2,952,716</u>	<u>4,273,711</u>	<u>3,502,613</u>	<u>4,165,225</u>	<u>4,372,300</u>
Total Net (Expense)/Revenue	<u><b>\$ 784,640</b></u>	<u><b>\$ (2,609,541)</b></u>	<u><b>\$ 8,208,891</b></u>	<u><b>\$ 2,986,007</b></u>	<u><b>\$ 2,476,887</b></u>	<u><b>\$ 6,891,277</b></u>	<u><b>\$ 11,918,933</b></u>	<u><b>\$ 3,822,987</b></u>	<u><b>\$ 3,906,892</b></u>	<u><b>\$ 4,272,153</b></u>

**CITY OF SHERWOOD**  
Sherwood, Oregon

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Fund:										
Nonspendable	\$ 6,201	\$ -	\$ 179,874	\$ 328,233	\$ 475,664	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	4,274	-	138,653	209,973	176,427	127,704	75,640	-	-	-
Committed	12,685	5,107	-	7,230	68,596	3,500	-	-	-	-
Assigned	84,870	84,870	343	139	1,261	58,386	54,786	-	-	-
Unassigned	2,729,205	2,993,022	2,638,521	3,336,003	2,718,585	2,933,222	2,982,560	-	-	-
Unreserved	-	-	-	-	-	-	-	1,862,794	898,753	352,774
Total General Fund	<u>\$2,837,235</u>	<u>\$3,082,999</u>	<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>
Street Operations:										
Restricted	<u>\$2,294,362</u>	<u>\$2,166,298</u>	<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>
Urban Renewal Operations:										
Restricted	<u>\$1,792,891</u>	<u>\$1,384,041</u>	<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>
Street Capital:										
Restricted	\$2,965,206	\$2,666,521	\$2,296,941	\$ 3,201,383	\$ 2,195,410	\$ 2,335,296	4,110,698	\$ -	\$ -	\$ -
Assigned	-	-	-	-	-	-	114,316	-	-	-
Total Street Capital	<u>\$2,965,206</u>	<u>\$2,666,521</u>	<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>
Urban Renewal Capital:										
Restricted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 508,904</u>	<u>\$ 3,078,268</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 136,111	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	855,129	1,411,291	841,821	3,116,302	1,518,800	1,371,509	546,091	9,532	27,999	142,389
Committed	98,470	118,983	319,008	-	252,812	-	-	-	-	-
Assigned	-	-	-	-	244,466	251,383	498,317	-	-	-
Reserved	-	-	-	-	-	-	-	491,087	1,313,132	1,005,172
Unassigned	-	(39,503)	(10,615)	-	-	-	-	-	-	-
Total Other Governmental Funds	<u>\$ 953,599</u>	<u>\$1,490,771</u>	<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>

(a) The Street Operations and Street 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**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Revenues:</b>										
Property Taxes	\$ 9,814,573	\$ 7,991,519	\$ 9,155,253	\$9,250,482	\$ 8,375,347	\$8,400,078	\$8,223,769	\$ 7,975,681	\$ 7,366,025	\$ 7,231,552
Franchises and fees	1,902,899	1,899,665	1,544,203	1,592,483	1,580,367	1,574,434	1,471,115	1,578,593	1,392,530	1,348,651
Intergovernmental	3,078,271	3,191,829	2,887,486	2,768,145	2,594,181	4,999,094	4,072,817	1,548,654	417,679	1,376,518
Charges for services	2,070,123	1,693,715	1,411,682	1,760,618	1,474,026	1,203,285	618,975	819,818	934,562	1,178,892
Infrastructure development fees	765,993	1,426,131	544,726	2,836,246	666,200	233,533	800,843	239,299	1,049,026	407,344
Fines and forfeitures	1,158,489	1,226,410	1,047,358	1,029,052	861,904	1,224,727	1,020,855	347,328	454,802	390,651
Interest on investments	129,535	75,823	68,893	77,077	97,290	63,081	57,322	43,515	132,931	234,162
Miscellaneous	45,384	269,342	230,507	260,899	226,069	213,930	364,090	113,006	310,963	87,493
<b>Total Revenues</b>	<b>18,965,267</b>	<b>17,774,434</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>Expenditures:</b>										
Current:										
Administration	3,020,281	2,779,587	2,598,190	2,447,546	2,166,821	2,571,542	3,372,963	3,148,951	2,840,300	1,672,916
Community Development	1,529,152	1,587,474	1,424,929	1,126,553	992,193	784,847	1,275,027	1,437,184	1,846,610	2,404,042
Public Safety	3,425,907	3,620,713	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	1,853,341	1,704,173	1,441,834	1,169,915	1,181,814	1,167,801	1,517,075	1,426,069	1,420,789	1,345,098
Public Works	3,588,700	3,204,877	2,812,908	3,116,834	2,290,168	2,431,579	1,969,097	802,833	737,027	820,622
Capital outlay	1,585,002	1,130,259	6,648,240	3,784,613	3,915,065	8,136,079	4,187,315	1,003,722	-	594,508
Debt service - principal	3,190,846	1,990,313	1,913,378	1,841,517	7,032,912	3,163,663	4,460,545	2,281,619	3,359,566	2,815,759
Debt service - interest	724,168	812,523	754,369	821,237	1,219,706	904,713	1,254,359	1,029,976	495,397	505,086
<b>Total Expenditures</b>	<b>18,917,397</b>	<b>16,829,919</b>	<b>20,972,948</b>	<b>17,793,987</b>	<b>22,058,623</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>Excess (Deficiency of Revenues Over Expenditures)</b>	<b>47,870</b>	<b>944,515</b>	<b>(4,082,840)</b>	<b>1,781,015</b>	<b>(6,183,239)</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>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	4,793	11,791	204,500	-	533,489	-	-	-	-	-
Transfers in	102,757	315,074	4,151,500	2,505,726	429,485	895,122	2,889,027	859,338	3,596,098	584,479
Transfers out	(102,757)	(249,064)	(4,151,500)	(2,505,726)	(423,787)	(677,695)	(302,317)	(556,967)	(4,832,377)	-
<b>Total Other Financing Sources (Uses)</b>	<b>4,793</b>	<b>77,801</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>Net change in fund balances</b>	<b>\$ 52,663</b>	<b>\$ 1,022,316</b>	<b>\$ (3,878,340)</b>	<b>\$ 1,781,015</b>	<b>\$ 58,979</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>Ratio of debt service to non-capital expenditures</b>	<b>23%</b>	<b>18%</b>	<b>19%</b>	<b>19%</b>	<b>45%</b>	<b>29%</b>	<b>32%</b>	<b>24%</b>	<b>27%</b>	<b>25%</b>

**CITY OF SHERWOOD**  
Sherwood, Oregon

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

Fiscal Year Ended June 30	Assessed Value			Estimated Real Market Value (RMV)	Total Direct Tax Rate	Ratio of Total Assessed Value to Total Estimated Actual Value (b)	Estimated Actual Value Per Capita	URA Assessed Value (a)
	Real Property	Personal Property, Manufactured Homes and Utility	Total Assessed Value					
2017	\$ 1,741,614,730	\$ 99,470,069	\$ 1,841,084,799	\$ 2,776,562,739	\$ 3.416	66.3%	\$ 145,028	\$ 220,064,100
2016	1,682,898,700	97,496,399	1,780,395,099	2,525,733,974	3.623	70.5	131,927	217,762,718
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	91,444,519	1,518,340,179	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

(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	
2017	\$ 2.9075	\$ 0.5084	\$ 3.4159	\$ 6.7557	\$ 0.3511	\$ 7.1068	\$ 4.6283	\$ 3.7573	\$ 8.3856	\$ 18.9083
2016	3.1189	0.5042	3.6231	5.8031	0.3106	6.1137	4.9647	3.8014	8.7661	18.5029
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

(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	2017			2008		
	Taxable Assessed Value	Rank	Percentage of Total Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Assessed Value
WalMart Stores, Inc	\$26,967,985	1	1.5%	N/A	-	0.0%
MGP X Properties LLC	20,774,170	2	1.1%	N/A	-	0.0%
Portland General Electric	19,682,000	3	1.1%	9,380,000	7	0.7%
Bir Sunfield, LLC	17,200,860	4	0.9%	13,183,070	3	1.0%
Target Corporation	16,950,847	5	0.9%	13,521,541	2	1.0%
Creekview Crossing SPE LLC	14,405,380	6	0.8%	N/A	-	0.0%
Allied Systems Company	11,831,940	7	0.6%	10,664,690	6	0.8%
Juniper Ridge Investments, LLC	11,568,640	8	0.6%	8,866,450	9	0.7%
Home Depot	10,190,113	9	0.6%	9,008,276	8	0.7%
Comcast Corp	9,849,800	10	0.5%	N/A	-	0.0%
Retail Property Partners	N/A			15,930,030	1	1.2%
BMC West Corportation	N/A			11,507,942	4	0.9%
Northwest Natural Gas Co	N/A			10,775,900	5	0.8%
Wirkkala Sherwood Property LLC	N/A			6,894,360	10	0.5%
	<u>\$159,421,735</u>		<u>8.7%</u>	<u>\$102,837,899</u>		<u>8.4%</u>

Source: Washington County Assessor's records

**CITY OF SHERWOOD**  
Sherwood, Oregon

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

<u>Fiscal Year Ended June 30</u>	<u>Taxes Levied</u>	<u>Current Tax Collections</u>	<u>Percent of Current Taxes Collected</u>	<u>Delinquent Tax Collections/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>							
2017	\$6,291,785	\$5,992,483	95.2%	\$182,999	\$6,175,482	\$ 116,303	98.2%
2016	6,454,287	6,157,490	95.4%	240,396	6,397,886	56,401	99.1%
2015	5,830,966	5,565,047	95.4%	223,718	5,788,765	42,201	99.3%
2014	5,640,111	5,352,760	94.9%	255,867	5,608,627	31,484	99.4%
2013	5,389,489	5,130,153	95.2%	237,442	5,367,595	21,894	99.6%
2012	5,318,795	4,958,717	93.2%	342,111	5,300,828	17,967	99.7%
Prior Yrs						37,284	
<b>Sherwood Urban Renewal Agency:</b>							
2017	\$3,857,367	\$3,673,871	95.2%	\$112,195	\$3,786,066	\$ 71,301	98.2%
2016	1,730,398	1,650,826	95.4%	64,451	1,715,277	15,121	99.1%
2015	3,561,323	3,398,911	95.4%	136,637	3,535,548	25,775	99.3%
2014	3,891,961	3,693,675	94.9%	176,561	3,870,236	21,725	99.4%
2013	3,237,484	3,081,701	95.2%	142,631	3,224,332	13,152	99.6%
2012	3,320,192	3,157,865	95.1%	151,111	3,308,976	11,216	99.7%
Prior Yrs						22,579	

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
2017	\$ 830,000	\$ 58,970	\$ 888,970	\$ 2,360,846	\$ 596,959	\$ 2,957,805	\$ 3,846,775	\$ 18,917,397	4.7%	20.3%
2016	810,000	87,012	897,012	1,180,313	656,521	1,836,834	2,733,846	16,829,919	5.3%	16.2%
2015	780,000	112,493	892,493	1,133,328	704,642	1,837,970	2,730,463	20,972,948	4.3%	13.0%
2014	755,000	135,184	890,184	1,086,517	674,368	1,760,885	2,651,069	20,882,003	4.3%	12.7%
2013	735,000	157,625	892,625	6,297,960	933,451	7,231,411	8,124,036	22,058,623	4.0%	36.8%
2012	705,000	182,897	887,897	2,341,532	898,920	3,240,452	4,128,349	22,380,834	4.0%	18.4%
2011	3,050,000	243,091	3,293,091	8,475,526	1,260,663	9,736,189	13,029,280	22,045,928	14.9%	59.1%
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%

( 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	Proprietary	Total	Ratio of Debt to Assessed Value		Debt Per Capita	
						Activities Notes Payable (b)	Activities Notes Payable (b)		Net Bonded Debt	Total Obligation	Net Bonded Debt	Total Obligation
2017	19,145	\$ 1,841,084,799	\$ 1,005,000	\$ 28,563	\$ 976,437	\$ 17,053,175	\$ 21,349,000	\$ 39,378,612	0.05%	2.14%	\$ 51	\$ 2,057
2016	19,145	1,780,395,099	1,835,000	(33,640)	1,868,640	19,414,021	22,078,570	43,361,231	0.10%	2.44%	98	2,265
2015	19,080	1,684,889,986	2,645,000	(10,615)	2,655,615	23,239,334	22,978,399	48,873,348	0.21%	3.03%	138	2,561
2014	18,955	1,618,262,028	3,425,000	10,101	3,414,899	25,152,712	23,850,814	52,418,425	0.21%	3.24%	180	2,765
2013	18,575	1,546,354,883	4,180,000	8,432	4,171,568	22,959,865	24,701,435	51,832,868	0.27%	3.35%	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	0.33%	3.69%	266	2,971
2011	18,255	1,478,503,863	5,620,000	47,382	5,572,618	22,302,146	26,419,060	54,293,824	0.38%	3.67%	305	2,974
2010	18,194	1,434,708,323	6,365,000	9,532	6,355,468	24,777,515	17,416,102	48,549,085	0.44%	3.38%	349	2,668
2009	16,700	1,371,784,821	7,035,000	27,999	7,007,001	28,359,751	10,477,015	45,843,767	0.51%	3.34%	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	0.58%	2.75%	455	2,159

(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, 2017**

<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	\$ 2,055,125	1.01%	\$ 20,757
Northwest Regional ESD	114,607	2.57%	2,945
Port of Portland	582,265	0.94%	5,473
Portland Community College	4,953,723	1.27%	62,912
Tualatin Valley Fire and Rescue District	1,773,045	3.63%	64,362
Washington County	8,236,476	3.18%	261,920
School District 88J	125,612,143	56.91%	71,485,871
Subtotal, overlapping debt			71,904,240
City of Sherwood direct debt			18,367,571
Total direct and overlapping debt			<u>\$ 90,271,811</u>

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

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

The percentage applicable to government is determined on the assessed value of the overlapping districts. The numerator is the City's assessed value and the denominator is the assessed value of the overlapping district.



**CITY OF SHERWOOD**

Sherwood, Oregon

**COMPUTATION OF LEGAL DEBT MARGIN**

**June 30, 2017**

<u>Fiscal Year</u>	<u>Total Taxable Assessed Value</u>	<u>Taxable Assessed Value as a Percentage of Estimated Actual Value</u>	<u>Estimated Actual Value</u>
2017	\$ 1,841,084,799	66%	\$ 2,776,562,739
Debt limitations (3% of total real market value)			\$ 83,296,882
Outstanding Governmental Activities-General Obligation Debt			<u>1,005,000</u>
Net debt margin			\$ 82,291,882
Percentage of net debt margin available			<u>98.79%</u>
Percentage of net debt power exhausted			<u>1.21%</u>

Last Ten Fiscal Years

<u>Year</u>	<u>Debt Limit</u>	<u>Outstanding debt applicable to limitation June 30</u>	<u>Net Debt Margin</u>	<u>Percentage of Net Debt Margin Available</u>
2017	\$83,296,882	\$ 1,005,000	\$ 82,291,882	98.79%
2016	75,772,019	1,835,000	73,937,019	97.58%
2015	70,374,952	2,645,000	67,729,952	96.24%
2014	63,176,724	3,425,000	59,751,724	94.58%
2013	59,937,353	4,180,000	55,757,353	93.03%
2012	61,513,190	4,915,000	56,598,190	92.01%
2011	65,292,131	5,620,000	59,672,131	91.39%
2010	68,977,283	6,365,000	62,612,283	90.77%
2009	74,420,535	7,035,000	67,385,535	90.55%
2008	73,429,597	7,690,000	65,739,597	89.53%

**CITY OF SHERWOOD**  
Sherwood, Oregon

**DEMOGRAPHIC STATISTICS**  
**LAST TEN FISCAL YEARS**

July 1	Population (a)	Calendar Year	Unemployment Rate (b)	Median Age (c)	Average Household Size (c)	Per Capita Income City of Sherwood	Washington County (c)
2017	19,145	2017	4.20%				
2016	19,145	2016	4.80%				
2015	19,080	2015	5.74%				
2014	18,955	2014	6.00%				
2013	18,575	2013	6.90%				
2012	18,265	2012	7.70%				
2011	18,255	2011	9.10%				
2010	18,194	2010	10.60%	32.1	2.8	\$ 32,525	\$ 30,900
2009	16,700	2009	11.20%				
2008	16,640	2008	5.50%				

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

(b) Source: Bureau of Labor Statistics; <http://data.bls.gov>; for Portland, OR Metropolitan Statistical Area.

(c) 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.

**PRINCIPAL EMPLOYERS**  
**CURRENT YEAR AND FIVE\* YEARS AGO**

Employer	2017			2012		
	Employees	Rank	% of Total City Employment	Employees	Rank	% of Total City Employment
Sherwood School District	560	1	13%	528	1	9%
Allied Systems Company	258	2	6%	360	2	6%
WalMart Stores Inc	220	3	5%			
Lam Research Corp	160	4	4%			
Target	133	5	3%	163	3	3%
Home Depot	125	6	3%	119	4	2%
City of Sherwood	114	7	3%	110	6	2%
Kohl's	112	8	3%			
Treske Precision Machining	100	9	2%	110	5	2%
Safeway	99	10	2%			
Fettig Commercial Construction				75	9	1%
Showplace Landscape Services				75	8	1%
Albertson's Food Ctr				81	7	1%
Hardwood Industries, Inc.				67	10	1%

Source: 2017 and 2012 Business License database

\* This schedule should present current year and nine years prior. However, information prior to 2012 is not available.

**CITY OF SHERWOOD**  
Sherwood, Oregon

**MISCELLANEOUS STATISTICS**  
**June 30, 2017**

Date of incorporation                      1893  
Form of government                      Council/Manager

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Number of employees	114	112	106	98	95	96	96	94	88	89
Area in square miles	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Miles of street	55	55	55	55	55	55	50	50	50	50
Culture and recreation:										
Senior/teen centers	2	2	2	2	2	2	2	2	2	2
Recreation centers	3	3	3	2	2	2	2	2	2	2
Acres of sports fields	55	55	55	55	55	55	61	61	61	54
Tot Acres of maintained passive parks	57	57	57	57	57	57	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	4	4	3	3
Number of middle and high schools in the City	3	3	3	3	3	3	3	3	2	2

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH OREGON STATE REGULATIONS**



**Talbot, Korvola  
& Warwick, LLP**

Certified Public Accountants  
& Consultants

4800 Meadows Road  
Suite 200  
Lake Oswego, OR 97035

P 503.274.2849  
F 503.274.2853

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
OREGON STATE REGULATIONS**

City Council  
City of Sherwood  
Sherwood, Oregon

We have audited the financial statements of the governmental 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, 2017, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 18, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

**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 162-10-330 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 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.



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**INDEPENDENT AUDITOR'S REPORT ON  
COMPLIANCE AND INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH OREGON STATE REGULATIONS (Continued)**

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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.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control that we consider to be a material weakness and have communicated it in a separate letter to management dated December 18, 2017.

**PURPOSE OF THIS REPORT**

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, Kowala & Warwick LLP*

Lake Oswego, Oregon  
December 18, 2017