



Home of the Tualatin River National Wildlife Refuge

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2018

CITY OF SHERWOOD

Sherwood, Oregon

Comprehensive Annual Financial Report

Year Ended June 30, 2018

Prepared by

City of Sherwood

Finance Department

CITY OF SHERWOOD

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CITY OF SHERWOOD

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INTRODUCTORY SECTION



Home of the Tualatin River National Wildlife Refuge

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Mayor
Keith Mays

Council President
Sean Garland

Councilors
Renee Brouse
Russell Griffin
Jennifer Kuiper
Tim Rosener
Kim Young

City Manager
Joseph Gall, ICMA-CM

November 16, 2018

Citizens of Sherwood
Honorable Mayor
Members of the City Council

It is our pleasure to present you with the Fiscal Year 2018 Comprehensive Annual Financial Report (CAFR). This report documents the financial position of the City as of June 30, 2018 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, 2018. 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 5 of the Financial Section of this report.

This report is the eighth 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, 2018. 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 19,363 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 30th 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 recently increased and is expected to continue over the next few years. The two main revenue sources for general government purposes are property taxes and franchise fees. Non-debt related 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. According to the United States Census Bureau, Sherwood's Median Household Income (MHI) is \$86,111. This is 70% higher than the state MHI at \$50,521 and 32% 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 28.4% 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 (37%) is the cushion that keeps the City's tax receipts from falling.

Table A Current Tax Year (2017-18) Value Comparison (In Millions of Dollars)		
	Market Value	Assessed Value
Residential	\$ 2,231	\$ 1,428
Commercial/Industrial	543	320
All Other	277	169
Totals	<u>\$ 3,051</u>	<u>\$ 1,917</u>
The difference between Market and Assessed Values is \$1,134 million, or 37% 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	\$27,334	1.4%
MGP X Properties LLC	20,979	1.1%
Big Sunfield Lakes OR LLC	17,717	0.9%
Target Corporation	17,416	0.9%
Creekview Crossing SPE LLC	14,838	0.8%
Juniper Ridge Investments, LLC	11,913	0.6%
Allied Systems Company	11,908	0.6%
Portland General Electric Co	11,655	0.6%
Comcast Corp	10,418	0.5%
Home Depot USA Inc	10,400	0.5%
Total	<u>\$154,578</u>	<u>8.1%</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 continued commercial, industrial and residential growth. Sherwood has the land and the infrastructure to serve commercial and industrial growth and the upcoming completion of 124th Avenue in December 2018 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. The City has recently conducted pre-applications for development of one of these sites and we anticipate development in 2019. The City has also had on-going conversations with potential developers of other properties in this area. The construction of 124th Avenue, which is nearing completion, 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 before 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 2019. Approximately 73 rooms will support the tourism industry in the Sherwood area. Construction on the site has recently begun.

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. A portion of the Brookman area has been annexed and development plans are expected to be submitted in 2019. The River Terrace neighborhood, north of Sherwood in Tigard is developing quickly and we expect that to bring additional commercial shopping activity into Sherwood.

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 2021 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 is being constructed with an adjacent major Assisted Living Facility (143,400 square feet). This project will open in late 2018 and early 2019.

Parkway Village South: A 93,000 square foot indoor entertainment and recreation center with an additional 32,500 square feet of retail space is currently under construction. The project will be open in 2019.

The Springs: Expansion of an existing Assisted Living facility. This development will construct a two story addition with 20 assisted living rooms and a three story addition with 73 independent living dwelling units. The project is currently under construction and is expected to be open in 2019.

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 few years for additional retail/office purposes.

CRITICAL FINANCIAL INFORMATION

Budget: The total City budget for Fiscal Year 2018 (FY18) is \$54.5 million. Only \$16 million (29%) of the revenue supporting the budget is available for general purposes. The remaining portion of the budget (\$38.5 million) is constrained by statute or loan covenants to specific purposes, primarily infrastructure construction and maintenance.

Debt: As of June 30, 2018, the City had outstanding general obligation debt of \$0.8 million, outstanding notes payable of \$35.0 million, and outstanding capital leases of \$0.04 million. Total debt was \$35.8 million. The General Obligation debt is repaid from dedicated, voter-approved property tax assessments. The notes payable debt as well as leases payable are 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, 2018. 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, 2017. This was the sixth 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 2017-18. This was the 16th 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,

A handwritten signature in blue ink, appearing to read "J. P. Gall".

Joseph P. Gall, ICMA-CM
City Manager

A handwritten signature in blue ink, appearing to read "K. Henry".

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, 2017

Christopher P. Morill

Executive Director/CEO

2018 CITY OF SHERWOOD

**CITY OFFICIALS
JUNE 30, 2018**

ELECTED OFFICIALS

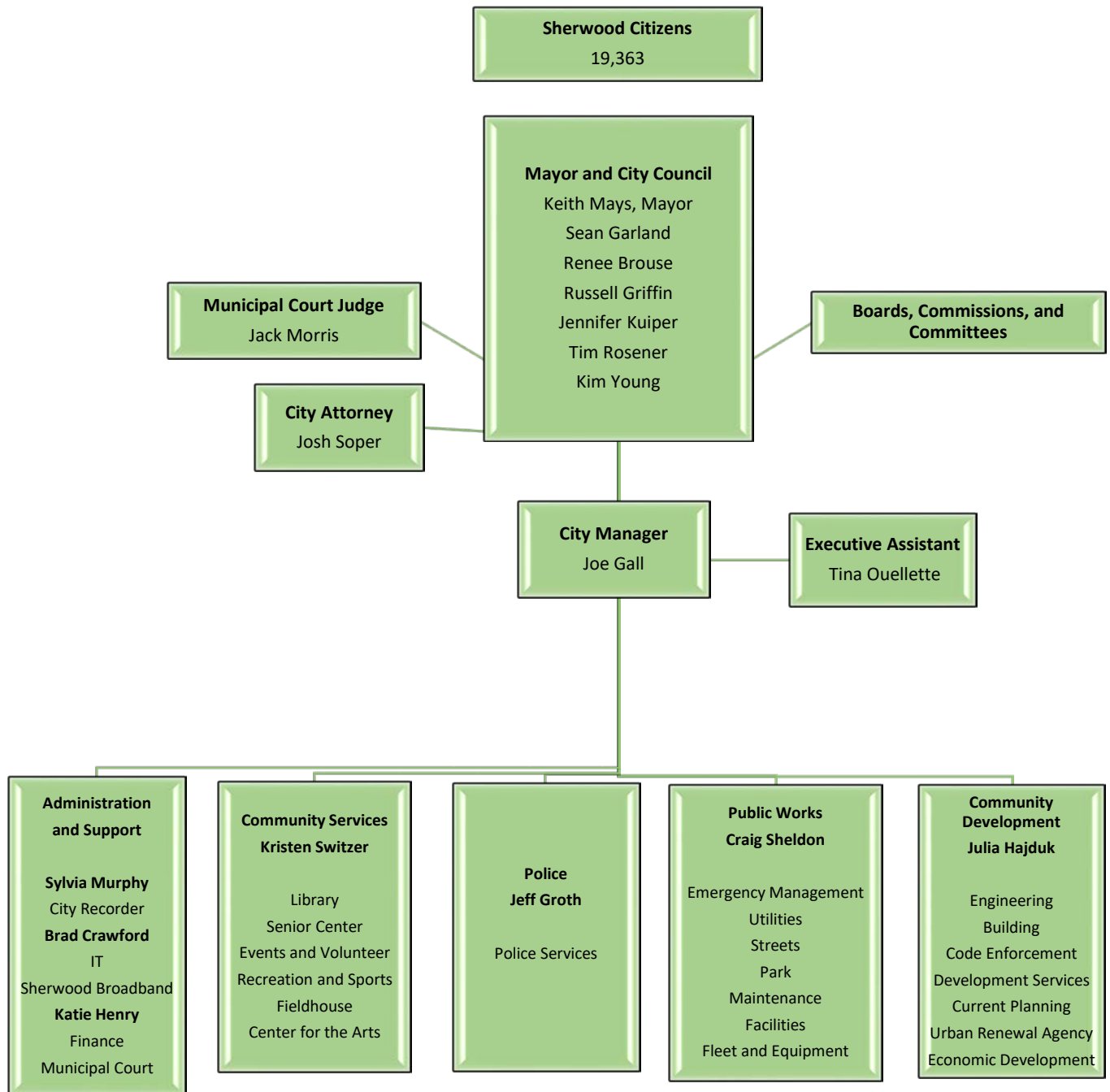
Name	Term Expires
Mayor Keith Mays	January 2019
Councilor Sean Garland	January 2021
Councilor Renee Brouse	January 2021
Councilor Russell Griffin	January 2019
Councilor Jennifer Kuiper	January 2019
Councilor Tim Rosener	January 2019
Councilor Kim Young	January 2021

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

2018 CITY OF SHERWOOD ORGANIZATION CHART



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT



Talbot, Korvola &
Warwick, LLP

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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, 2018, 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, 2018, 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
Page 2

EMPHASIS OF MATTER

As discussed in Note V to the financial statements, as of and for the year ended June 30, 2018, the City adopted the accounting requirements of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which resulted in the restatement of previously reported amounts for the year ended June 30, 2017. Our opinions are not modified with respect to this matter.

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, Schedule of Changes in the City's Total OPEB Liability and Related Ratios and Schedule of the Proportionate Share of the OPEB Liability (Asset), Schedule of the City's Contributions, and Notes to Required Supplementary Information, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information for the General Fund and major special revenue funds, listed in the Table of Contents as Required Supplementary Information, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The 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, 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

INDEPENDENT AUDITOR'S REPORT (Continued)

City Council
City of Sherwood
Page 3

OTHER MATTERS (Continued)

Other Supplementary Information (Continued)

to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

OTHER REPORTING REQUIRED BY OREGON MINIMUM STANDARDS

In accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated November 16, 2018, 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
November 16, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF SHERWOOD, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

This section of the City of Sherwood's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2018 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, 2018 ("FY18"). 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 FY18 by \$154.4 million (net position). Of this amount, \$8.6 million may be used to meet the City's ongoing obligations to its citizens and creditors (unrestricted net position).
- Current assets were \$37.8 million at the end of FY18. Of that amount, \$34.8 million (92%) of current assets were in cash and investments. Sherwood's current assets increased by \$5.9 million (18.6%) during FY18. This is due to prudent fiscal management, the sale of land to the School District, and increases in receipts related to development.
- Sherwood had capital and long-term assets (net of depreciation) of \$164 million at the end of FY18. Sherwood's capital and long-term assets decreased by \$3.7 million (2.3%) during FY18. The primary reasons for the decrease are the sale of land as well as depreciation on infrastructure and buildings.

At the Consolidated Fund Level

- In the aggregate, the governmental funds' ending fund balance was \$14.7 million, an increase of approximately \$3.8 million (35%) for the fiscal year.
- In the aggregate, the Proprietary funds' ending fund balance equivalent, *Net Position*, was \$86.8 million, an increase of \$4.2 million (5%) for the fiscal year.
- Total Property Tax revenue was \$9.5 million, a decrease of \$0.4 million (4%) from FY17 levels. This decrease is primarily due to a decrease in the debt service levy as debt related to the recreation facility was paid off in FY17.

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, 2018

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 provide this evaluation. 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, 2018.

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 broadband 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, 2018**

2. OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Statement of Net Position

Table 1 shows that the City's total net position increased from \$149.0 million as restated to \$154.4 million during FY18. This was an increase of \$5.4 million or 3.6%.

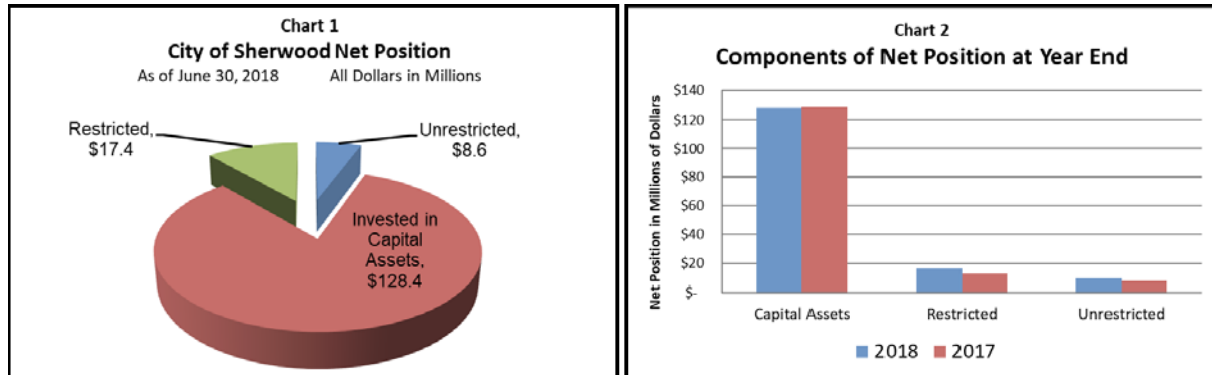
Table 1						
Sherwood's Net Position						
<i>At Fiscal Year End (June 30, 2018 and 2017)</i>						
<i>In Millions of Dollars</i>						
	Governmental Activities		Proprietary Activities		Total	
	2018	2017 (as restated)	2018	2017 (as restated)	2018	2017 (as restated)
ASSETS:						
Current assets	\$ 16.5	\$ 12.6	\$ 21.3	\$ 19.3	\$ 37.8	\$ 31.9
Capital and long-term assets	76.0	80.3	88.0	87.4	164.0	167.7
TOTAL ASSETS	92.5	92.9	109.3	106.7	201.8	199.6
DEFERRED OUTFLOWS:	3.8	5.9	0.5	0.8	4.2	6.7
LIABILITIES:						
Current liabilities	4.4	4.3	2.2	2.8	6.6	7.1
Long-term liabilities	23.9	27.2	20.7	21.8	44.6	49.0
TOTAL LIABILITIES	28.3	31.5	22.9	24.6	51.2	56.1
DEFERRED INFLOWS:	0.4	0.5	0.1	0.1	0.5	0.6
NET POSITION:						
Invested in capital assets	60.1	61.9	68.3	67.1	128.4	129.0
Restricted	9.9	7.9	6.3	5.0	16.2	12.9
Unrestricted	(2.4)	(3.0)	12.2	10.6	9.8	7.6
Restatement		(0.4)		(0.1)		(0.5)
TOTAL NET POSITION	\$ 67.6	\$ 66.4	\$ 86.8	\$ 82.6	\$ 154.4	\$ 149.0

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 \$128.4 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 (\$16.2 million) relates to amounts that are legally restricted for specific future obligations. Unrestricted net position (\$9.8 million) is available to meet the City's on-going obligations.

CITY OF SHERWOOD, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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 2018 and 2017. 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 \$2.6 million (13.0%) primarily due to the charges for services related to development as well as the sale of land to the School District for the new high school project. Total expenses remained relatively stable with a decrease of \$0.3 million (1.4%) in FY18.

Proprietary Activities

- Overall revenue increased from FY17 by \$1.6 million (16.4%).
 - Charges for services increased by \$0.6 million (6.6%) mainly due to an increase in utility rate payer revenue.
 - Capital contributions increased by \$0.9 million (87.2%) due to increased development activity resulting in increased System Development Charges (SDCs).
- Expenses increased by \$0.4 million (6.6%) due mainly to an increase in cost of water purchased as well as increased franchise fees which are directly tied to the increase in utility rate payer revenue mentioned above.

CITY OF SHERWOOD, OREGON

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

2. OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Table 2 Statement of Activities For the Fiscal Years Ending (June 30, 2018 and 2017) <i>In Millions of Dollars</i>						
	Governmental Activities		Proprietary Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
<u>Program Revenues</u>						
Charges for services	\$ 4.2	\$ 3.2	\$ 9.0	\$ 8.4	\$ 13.2	\$ 11.6
Operating grants/contributions	3.4	3.1	0.0	-	3.4	3.1
Capital grants/contributions	1.7	1.4	1.9	1.0	3.6	2.4
<u>General revenues</u>						
Property taxes	9.5	9.9	-	-	9.5	9.9
Franchise fees	2.0	1.9	-	-	2.0	1.9
Other general revenue	1.4	0.2	0.4	0.2	1.8	0.4
Total revenues	\$ 22.2	\$ 19.6	\$ 11.2	\$ 9.6	\$ 33.4	\$ 29.2
Expenses						
<u>Governmental Activities</u>						
Administration	\$ 3.0	\$ 3.4	\$ -	\$ -	\$ 3.0	\$ 3.4
Community development	1.9	1.7	-	-	1.9	1.7
Public safety	4.2	3.7	-	-	4.2	3.7
Community services	2.4	2.4	-	-	2.4	2.4
Public works	8.9	9.6	-	-	8.9	9.6
Interest on long-term debt	0.6	0.7	-	-	0.6	0.7
<u>Proprietary Activities</u>						
Water	-	-	4.6	4.4	4.6	4.4
Sanitary	-	-	0.7	0.7	0.7	0.7
Storm	-	-	1.3	1.1	1.3	1.1
Broadband	-	-	0.5	0.4	0.5	0.4
Total expenses	\$ 21.0	\$ 21.3	\$ 7.0	\$ 6.6	\$ 28.0	\$ 27.9
Special item-Settlement	-	-	-	(0.5)	-	(0.5)
Change in net position	\$ 1.2	\$ (1.7)	\$ 4.1	\$ 2.5	\$ 5.3	\$ 0.8
Beginning Net Position as Originally Stated	66.8	68.5	82.7	80.2	149.5	148.7
Restatement	(0.4)	-	(0.1)	-	(0.5)	-
Beginning Net Position as Restated	66.4	68.5	82.6	80.2	149.0	148.7
Ending Net Position	\$ 67.6	\$ 66.8	\$ 86.8	\$ 82.7	\$ 154.4	\$ 149.5

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, 2018

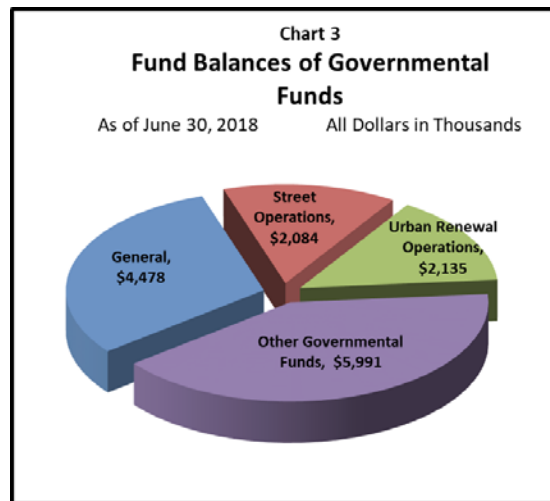
3. FINANCIAL ANALYSIS OF THE CITY'S FUNDS (Continued)

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 \$3.8 million (35.5%).

Table 3 Governmental Funds: Changes in Fund Balance Fiscal Year 2018					
	<i>On a Modified Accrual Basis</i>		<i>In Thousands of Dollars</i>		
	General	Street Operations	Urban Renewal Operations	Other Governmental Funds	Totals
Beginning Fund Balances	\$ 2,837	\$ 2,294	\$ 1,793	\$ 3,919	\$10,843
Change in Fund Balances	1,641	(211)	342	2,072	3,845
Ending Fund Balances June 30, 2018	\$ 4,478	\$ 2,084	\$ 2,135	\$ 5,991	\$14,688



- The General Fund increased 58% due to significant increases in development causing a surge in revenues as well as excess funds received from the sale of land to the School District.
- The Street Operations Fund decreased by 9% due mainly to increased road maintenance projects during FY18. It is normal for operations to fluctuate year over year.
- The Urban Renewal Operations fund increased 19% 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.

CITY OF SHERWOOD, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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

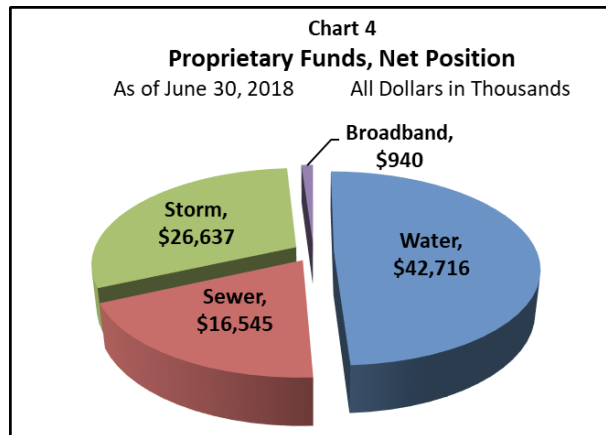
Governmental Funds in Total (Continued)

- The Street Capital Fund, which is a non-major fund included in Other Governmental Funds, increased 1.7 million (57%) both from development related fees and from the sale of land to the School District mentioned above.

Proprietary Funds

Table 4 and Chart 4 show that ending net position for the proprietary funds was \$86.8 million, \$4.1 million (5%) higher than last year after restatement of beginning net position.

Table 4 Proprietary Funds, Changes in Net Position Fiscal Year 2018					
	<i>On an Accrual Basis</i>		<i>In Thousands of Dollars</i>		
	Water	Sewer	Storm	Broadband	Totals
Beginning Net Position as Originally Stated	\$ 40,146	\$ 16,098	\$ 25,637	\$ 875	\$ 82,756
Restatement	(25)	(13)	(18)	(3)	(59)
Beginning Net Position as Restated	\$ 40,122	\$ 16,085	\$ 25,619	\$ 871	\$ 82,697
Change in Net Position	2,594	460	1,018	69	4,142
Net Position June 30, 2018	\$ 42,716	\$ 16,545	\$ 26,637	\$ 940	\$ 86,838



- Water – increase due to revenue from utility rates while capital activity remains very low as well as revenue related to development and contributed assets from private developers.
- Sewer – increase in revenue related to development and contributed assets from private developers.
- Storm – increase due to revenue from utility rates as well as contributed assets from private developers.
- Broadband – increase due to contributed assets from private developers.

CITY OF SHERWOOD, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

4. GENERAL FUND BUDGETARY HIGHLIGHTS

Original Budget Compared to Final Budget. The General Fund budgetary schedule (on page 63) shows that during the year City Council approved appropriation transfers resulting in a net increase in appropriations of \$320,761.

Final Budget Compared to Actual Results. The year-end fund balance was \$1.7 million higher than budgeted with major variances as follows.

- Revenue came in \$0.7 million over budget due mainly to development that had been previously delayed.
- Expenditures were carefully controlled in public works and several positions were vacant for several months in public safety and in administration which led to about \$0.6 million in savings.
- Contingency budget of \$0.37 million was not used.

The ending fund balance for the General Fund is higher than budgeted and is higher than in previous fiscal year. The City has made a conscious decision to save fund balance from one-time events (such as the sale of land) or from temporary increases (such as from development) in anticipation of upcoming demands facing governments 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 as well as the City's five-year financial outlook.

5. CAPITAL ASSETS

Government wide, capital assets decreased to \$163.5 million in FY18. This was a decrease of \$4.1 million (2.5%).

Table 5 Government Wide Capital Assets Net of Depreciation As of June 30, 2018 and 2017 In Millions of Dollars						
	Governmental Activities		Proprietary Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 12.5	\$ 13.6	\$ 0.2	\$ 0.2	\$ 12.7	\$ 13.8
Intangibles	5.9	5.9	2.9	2.9	8.8	8.8
Construction In Progress	0.9	0.8	0.2	1.3	1.1	2.2
Infrastructure	28.7	30.8	83.9	82.5	112.6	113.3
Buildings & Improvements	26.9	28.1	0.0	0.0	26.9	28.1
Machinery and Equipment	0.7	0.8	0.2	0.3	0.9	1.1
Vehicles	0.4	0.4	0.2	0.2	0.6	0.4
Total Capital Assets	\$ 76.0	\$ 80.3	\$ 87.5	\$ 87.4	\$ 163.5	\$ 167.6
Accumulated Depreciation	\$ 69.7	\$ 63.9	\$ 15.5	\$ 14.3	\$ 85.2	\$ 78.2

CITY OF SHERWOOD, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

5. CAPITAL ASSETS (Continued)

Major changes to capital assets, net of depreciation expense of \$7.1 million, are as follows:

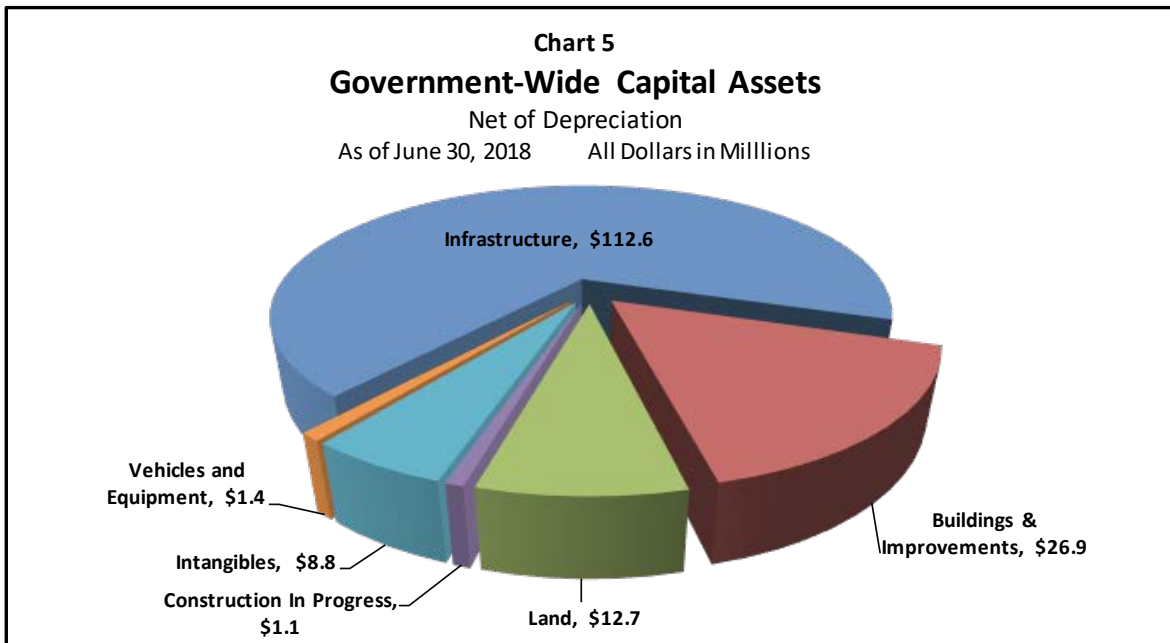
Governmental Activities:

- Elwert property (sale of land): (\$1.1 million)
- Street improvements: \$0.2 million
- Contributed infrastructure from private developers: \$0.6 million

Proprietary Activities:

- Water facilities: \$0.2 million
- Contributed infrastructure from private developers: \$0.9 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, 2018, the City had long term debt obligations of \$35.8 million. Of this amount, \$0.8 million will be serviced by dedicated property taxes and \$14.8 million will be serviced by tax increment revenues. \$20.2 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 FY18. 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, 2018

6. DEBT OUTSTANDING (Continued)

Table 6 Outstanding Debt at Fiscal Year End As of June 30, 2018 and 2017 <i>In Millions of Dollars</i>						
	Governmental Activities		Proprietary Activities		Total	
	2018	2017	2018	2017	2018	2017
Full Faith and Credit	\$ -	\$ -	\$20.21	\$ 21.35	\$20.21	\$ 21.35
General Obligation Bonds	0.77	1.00	-	-	0.77	1.00
Tax Increment Revenue	14.81	17.05	-	-	14.81	17.05
Capital Leases	0.04	0.05	-	-	0.04	0.05
Total Outstanding Debt	\$15.62	\$ 18.10	\$20.21	\$ 21.35	\$35.83	\$ 39.45

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. Recent development will contribute to increased property tax revenues but likely this will not be reflected for another year. Recent changes in legislation regarding automated traffic infractions at intersections, such as Speed on Green, are likely to be reflected as a spike in revenue in Fines and Fees during FY18-19. 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 rates have been updated based on recent studies. The 2% City charter 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 4% despite the implementation in next year's budget of a compensation study which increases salaries across the board. Several cuts in personnel as of the end of FY18 have offset any significant cost increases beyond the usual 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 Katie Henry, Finance Director, at 22560 SW Pine Street, Sherwood Oregon, 97140; (503) 625-4248; or henryk@sherwoodoregon.gov.

BASIC FINANCIAL STATEMENTS

CITY OF SHERWOOD

Sherwood, Oregon

**STATEMENT OF NET POSITION
JUNE 30, 2018**

	Governmental Activities	Proprietary Activities	Total
ASSETS:			
Cash and investments	\$ 14,970,391	\$ 19,834,194	\$ 34,804,585
Receivables, net	1,461,144	1,493,223	2,954,367
Prepays	83,732	588	84,320
Investment in joint ventures	-	486,693	486,693
Net other post employment benefits asset	24,649	3,194	27,843
Capital assets:			
Land, improvements and construction in progress	19,296,056	3,218,697	22,514,753
Other capital assets, net	56,679,013	84,269,136	140,948,149
TOTAL ASSETS	92,514,985	109,305,725	201,820,710
DEFERRED OUTFLOWS			
Pension	3,725,528	482,922	4,208,450
Other Post Employment Benefits	33,653	4,456	38,109
TOTAL DEFERRED OUTFLOWS	3,759,181	487,378	4,246,559
LIABILITIES:			
Current liabilities:			
Accounts payable and other current liabilities	1,002,078	995,530	1,997,608
Payroll payable	395,422	47,636	443,058
Accrued interest	156,078	57,953	214,031
Current portion of long-term obligations	2,826,496	1,080,925	3,907,421
Total current liabilities	4,380,074	2,182,044	6,562,118
Noncurrent liabilities:			
Net pension liability	9,942,363	1,288,782	11,231,145
Total other post employment benefits obligation	432,745	64,731	497,476
Noncurrent portion of long-term obligations	13,539,127	19,363,516	32,902,643
Total noncurrent liabilities	23,914,235	20,717,029	44,631,264
TOTAL LIABILITIES	28,294,309	22,899,073	51,193,382
DEFERRED INFLOWS-PENSION			
Pension	381,664	49,474	431,138
Other Post Employment Benefits	42,277	6,080	48,357
TOTAL DEFERRED INFLOWS	423,941	55,554	479,495
NET POSITION:			
Net investment in capital assets	60,139,362	68,338,342	128,477,704
Restricted for:			
Capital assets	5,646,161	6,297,432	11,943,593
Street and roadside maintenance	2,083,695	-	2,083,695
Urban renewal projects	2,135,138	-	2,135,138
Debt service	38,176	-	38,176
Community Enhancement	42,564	-	42,564
Tourism	1,687	-	1,687
Unrestricted	(2,530,867)	12,202,702	9,671,835
TOTAL NET POSITION	\$ 67,555,916	\$ 86,838,476	\$ 154,394,392

See notes to basic financial statements

CITY OF SHERWOOD

Sherwood, Oregon

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

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
Primary government:							
Governmental activities:							
Administration	\$ 3,042,785	\$ 1,303,801	\$ 627,339	\$ -	\$ (1,111,645)	\$ -	\$ (1,111,645)
Community Development	1,928,317	1,687,818	48,941	415,877	224,319	-	224,319
Public Safety	4,197,438	69,977	56,984	-	(4,070,477)	-	(4,070,477)
Community Services	2,395,657	521,993	977,357	-	(896,307)	-	(896,307)
Public Works	8,931,365	702,265	1,659,173	1,237,073	(5,332,854)	-	(5,332,854)
Interest on long-term obligations	563,404	-	-	-	(563,404)	-	(563,404)
Total governmental activities	21,058,966	4,285,854	3,369,794	1,652,950	(11,750,368)	-	(11,750,368)
Proprietary activities:							
Water	4,620,164	5,983,630	-	1,029,975	-	2,393,441	2,393,441
Sewer	674,672	680,741	2,678	393,623	-	402,370	402,370
Storm	1,275,830	1,839,189	-	369,301	-	932,660	932,660
Broadband	465,760	447,672	-	78,785	-	60,697	60,697
Total proprietary activities	7,036,426	8,951,232	2,678	1,871,684	-	3,789,168	3,789,168
Total	\$ 28,095,392	\$ 13,237,086	\$ 3,372,472	\$ 3,524,634	(11,750,368)	3,789,168	(7,961,200)
GENERAL REVENUES							
Property taxes					9,484,935	-	9,484,935
Franchise taxes and fees					2,015,911	-	2,015,911
Unrestricted interest earnings					219,655	355,696	575,351
Miscellaneous					1,143,245	-	1,143,245
TRANSFERS IN(OUT)					3,000	(3,000)	-
TOTAL GENERAL REVENUES AND TRANSFERS					12,866,746	352,696	13,219,442
CHANGE IN NET POSITION					1,116,378	4,141,864	5,258,242
NET POSITION, June 30, 2017 as originally stated					66,837,290	82,755,926	149,593,216
Cumulative effect of restatement					(397,752)	(59,314)	(457,066)
NET POSITION, June 30, 2017 as restated					66,439,538	82,696,612	149,136,150
NET POSITION, June 30, 2018					\$ 67,555,916	\$ 86,838,476	\$ 154,394,392

See notes to basic financial statements

CITY OF SHERWOOD

Sherwood, Oregon

**GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2018**

	General Fund	Street Operations Fund	Urban Renewal Operations Fund	Other Nonmajor Governmental Funds	Totals
ASSETS:					
Cash and investments	\$ 4,572,308	\$ 2,288,090	\$ 2,125,155	\$ 5,984,838	\$ 14,970,391
Receivables	1,015,319	188,557	182,401	74,867	1,461,144
Prepays	83,732	-	-	-	83,732
TOTAL ASSETS	\$ 5,671,359	\$ 2,476,647	\$ 2,307,556	\$ 6,059,705	\$ 16,515,267
LIABILITIES:					
Accounts payable	\$ 376,124	\$ 369,668	\$ 8,265	\$ 27,014	\$ 781,071
Payroll payable	367,641	16,416	6,700	4,665	395,422
Other current liabilities	214,142	6,868	-	-	221,010
TOTAL LIABILITIES	957,907	392,952	14,965	31,679	1,397,503
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	235,024	-	157,453	37,358	429,835
TOTAL DEFERRED INFLOWS OF RESOURCES	235,024	-	157,453	37,358	429,835
FUND BALANCES:					
Nonspendable in form	83,732	-	-	-	83,732
Restricted for:					
Capital Projects	-	-	-	5,646,161	5,646,161
Street Maintenance	-	2,083,695	-	-	2,083,695
Community Enhancement	-	-	-	42,564	42,564
Urban Renewal Projects	-	-	2,135,138	-	2,135,138
Tourism	-	-	-	1,687	1,687
Debt Service	-	-	-	38,176	38,176
Committed to:					
Capital Projects	-	-	-	229,283	229,283
School District	17,579	-	-	-	17,579
Assigned to:					
Risk Management	14,635	-	-	-	14,635
Fleet Replacement	84,870	-	-	-	84,870
Capital Projects	-	-	-	32,797	32,797
Unassigned	4,277,612	-	-	-	4,277,612
TOTAL FUND BALANCES	4,478,428	2,083,695	2,135,138	5,990,668	14,687,929
TOTAL LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 5,671,359	\$ 2,476,647	\$ 2,307,556	\$ 6,059,705	\$ 16,515,267

See notes to basic financial statements

CITY OF SHERWOOD

Sherwood, Oregon

**RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2018**

TOTAL FUND BALANCE \$ 14,687,929

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	\$ 145,627,129	
Accumulated depreciation	<u>(69,652,057)</u>	75,975,072

Other post employment benefit assets are not financial resources for budgetary purposes and are therefore not reported in the governmental funds		24,649
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A portion of the City's receivables are collected after year-end but they are not collected soon enough to be available as financial resources for the current year. The revenues related to these receivables are unavailable and are reported as such in the governmental funds.		429,835
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Deferred Inflows - Pension		(381,664)
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Deferred Inflows - Other Post Employment Benefits		(42,277)
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Deferred Outflows - Pension		3,725,528
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Deferred Outflows - Other Post Employment Benefits		33,653
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Compensated absences not payable in the current year are not recorded as governmental fund liabilities.		(529,913)
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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	\$ (15,615,069)	
Pension liability	(9,942,363)	
OPEB liability	(432,745)	
Premium on bonds	(220,641)	
Accrued interest payable	<u>(156,078)</u>	<u>(26,366,896)</u>

TOTAL NET POSITION		<u>\$ 67,555,916</u>
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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, 2018**

	General Fund	Street Operations Fund	Urban Renewal Operations Fund	Other Nonmajor Governmental Funds	Totals
REVENUES:					
Property taxes	\$5,431,770	\$ -	\$3,776,565	\$ 280,868	\$ 9,489,203
Franchises and fees	1,981,284	-	-	34,627	2,015,911
Intergovernmental	2,035,965	1,314,012	-	87,295	3,437,272
Charges for services	2,280,743	613,604	-	82,952	2,977,299
Infrastructure development fees	-	-	-	1,022,081	1,022,081
Fines and forfeitures	1,245,800	-	-	-	1,245,800
Interest on investments	66,724	41,099	34,532	77,300	219,655
Miscellaneous	68,613	3,214	-	14,774	86,601
TOTAL REVENUES	<u>13,110,899</u>	<u>1,971,929</u>	<u>3,811,097</u>	<u>1,599,897</u>	<u>20,493,822</u>
EXPENDITURES:					
Current:					
Administration	2,632,421	-	240,261	-	2,872,682
Community Development	1,803,328	-	-	-	1,803,328
Public Safety	3,725,426	-	-	-	3,725,426
Community Services	1,923,931	-	-	-	1,923,931
Public Works	2,201,953	2,050,085	-	262,446	4,514,484
Noncurrent					
Capital Outlay	188,271	132,511	391,345	127,389	839,516
Debt Service - Principal	-	-	2,245,610	240,000	2,485,610
Debt Service - Interest	-	-	594,634	31,750	626,384
TOTAL EXPENDITURES	<u>12,475,330</u>	<u>2,182,596</u>	<u>3,471,850</u>	<u>661,585</u>	<u>18,791,361</u>
Excess (deficiency) of revenues over expenditures	<u>635,569</u>	<u>(210,667)</u>	<u>339,247</u>	<u>938,312</u>	<u>1,702,461</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	8,576	-	-	2,115,620	2,124,196
Proceeds from capital leases	14,979	-	-	-	14,979
Transfers in	993,475	-	3,000	91,060	1,087,535
Transfers out	(11,406)	-	-	(1,073,129)	(1,084,535)
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,005,624</u>	<u>-</u>	<u>3,000</u>	<u>1,133,551</u>	<u>2,142,175</u>
NET CHANGE IN FUND BALANCES	<u>1,641,193</u>	<u>(210,667)</u>	<u>342,247</u>	<u>2,071,863</u>	<u>3,844,636</u>
FUND BALANCES - beginning of year	<u>2,837,235</u>	<u>2,294,362</u>	<u>1,792,891</u>	<u>3,918,805</u>	<u>10,843,293</u>
FUND BALANCES - end of year	<u>\$4,478,428</u>	<u>\$2,083,695</u>	<u>\$2,135,138</u>	<u>\$ 5,990,668</u>	<u>\$14,687,929</u>

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, 2018**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ 3,844,636**

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	\$ 1,996,147	
Depreciation	<u>(5,876,862)</u>	(3,880,715)

Contributions of capital assets are not recorded as revenues in the fund statements		642,681
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Proceeds from capital leases are revenues in the governmental funds, but increase liabilities in the Statement of Net Position		(14,979)
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Other transactions related to capital assets not reported in the fund statements		(1,084,087)
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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.		(4,268)
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Principal payments on long-term obligations are expenditures in the governmental funds,
but reduce long-term liabilities in the Statement of Net Position.

Premium on bonds	42,356	
Principal on capital lease	18,874	
Principal on bonds and notes	<u>2,485,610</u>	2,546,840

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	(1,010,494)	
OPEB Expense	(18,968)	
Accrued interest	23,653	
Compensated absences	<u>72,079</u>	(933,731)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 1,116,378**

CITY OF SHERWOOD

Sherwood, Oregon

ENTERPRISE FUNDS STATEMENT OF NET POSITION JUNE 30, 2018

	Water	Sewer	Storm	Broadband	Totals
ASSETS:					
Current assets:					
Cash and investments	\$ 11,718,776	\$ 3,268,044	\$ 4,423,016	\$ 424,358	\$ 19,834,194
Receivables, net	951,707	320,212	193,826	27,478	1,493,223
Prepays	-	-	-	588	588
Total current assets	12,670,483	3,588,256	4,616,842	452,424	21,328,005
Noncurrent assets:					
Investment in joint ventures	486,693	-	-	-	486,693
Net other post employment benefits asset	1,450	502	937	305	3,194
Land, improvements and construction in progress	505,430	1,068,205	1,609,757	35,305	3,218,697
Other capital assets, net	50,212,600	12,633,391	20,834,733	588,412	84,269,136
Total noncurrent assets	51,206,173	13,702,098	22,445,427	624,022	87,977,720
TOTAL ASSETS	63,876,656	17,290,354	27,062,269	1,076,446	109,305,725
DEFERRED OUTFLOWS :					
Pension	219,224	75,916	141,683	46,099	482,922
Other Post Employment Benefits	2,016	706	1,310	424	4,456
TOTAL DEFERRED OUTFLOWS	221,240	76,622	142,993	46,523	487,378
LIABILITIES:					
Current liabilities:					
Accounts payable and other current liabilities	274,988	578,185	110,376	31,982	995,531
Payroll payable	22,885	4,756	17,191	2,803	47,635
Accrued compensated absences	16,583	6,864	10,663	5,387	39,497
Loans payable - current portion	1,041,428	-	-	-	1,041,428
Accrued interest payable	57,953	-	-	-	57,953
Total current liabilities	1,413,837	589,805	138,230	40,172	2,182,044
Long-term liabilities					
Loans payable - long-term portion	19,304,268	-	-	-	19,304,268
Accrued compensated absences	24,876	10,297	15,994	8,081	59,248
Net pension liability	585,047	202,599	378,111	123,025	1,288,782
Total other post employment benefits obligation	28,757	10,693	19,187	6,094	64,731
Total long-term liabilities	19,942,948	223,589	413,292	137,200	20,717,029
TOTAL LIABILITIES	21,356,785	813,394	551,522	177,372	22,899,073
DEFERRED INFLOWS:					
Pension	22,459	7,777	14,515	4,723	49,474
Other Post Employment Benefits	2,716	992	1,798	574	6,080
TOTAL DEFERRED INFLOWS	25,175	8,769	16,313	5,297	55,554
NET POSITION:					
Net investment in capital assets	31,568,539	13,701,596	22,444,490	623,717	68,338,342
Restricted for capital improvements	3,028,188	2,088,186	1,181,058	-	6,297,432
Unrestricted	8,119,209	755,031	3,011,879	316,583	12,202,702
TOTAL NET POSITION	\$ 42,715,936	\$ 16,544,813	\$ 26,637,427	\$ 940,300	\$ 86,838,476

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, 2018**

	Water	Sewer	Storm	Broadband	Totals
OPERATING REVENUES:					
Charges for services	\$ 5,983,630	\$ 680,741	\$ 1,839,189	\$ 447,672	\$ 8,951,232
Intergovernmental	-	2,678	-	-	2,678
TOTAL OPERATING REVENUES	<u>5,983,630</u>	<u>683,419</u>	<u>1,839,189</u>	<u>447,672</u>	<u>8,953,910</u>
OPERATING EXPENSES:					
Personnel services	661,873	207,944	472,127	166,812	1,508,756
Materials and services	2,449,343	277,243	537,276	264,412	3,528,274
Depreciation	759,361	189,485	266,892	34,536	1,250,274
TOTAL OPERATING EXPENSES	<u>3,870,577</u>	<u>674,672</u>	<u>1,276,295</u>	<u>465,760</u>	<u>6,287,304</u>
OPERATING INCOME (LOSS)	<u>2,113,053</u>	<u>8,747</u>	<u>562,894</u>	<u>(18,088)</u>	<u>2,666,606</u>
NONOPERATING INCOME (EXPENSE):					
Interest expense	(742,022)	-	-	-	(742,022)
Interest earnings	200,709	57,826	85,833	11,328	355,696
Gain (Loss) in equity in joint ventures	(5,185)	-	-	-	(5,185)
Gain (Loss) on disposal of assets	(2,380)	-	465	-	(1,915)
TOTAL NONOPERATING INCOME (EXPENSE)	<u>(548,878)</u>	<u>57,826</u>	<u>86,298</u>	<u>11,328</u>	<u>(393,426)</u>
NET INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>1,564,175</u>	<u>66,573</u>	<u>649,192</u>	<u>(6,760)</u>	<u>2,273,180</u>
Capital Contributions - System development fees	702,327	209,716	47,034	-	959,077
Capital Contributions - Contributed assets	327,648	183,907	322,267	78,785	912,607
Transfers out	-	-	-	(3,000)	(3,000)
CHANGE IN NET POSITION	<u>2,594,150</u>	<u>460,196</u>	<u>1,018,493</u>	<u>69,025</u>	<u>4,141,864</u>
NET POSITION, June 30, 2017 as originally stated	<u>40,146,398</u>	<u>16,097,851</u>	<u>25,637,043</u>	<u>874,634</u>	<u>82,755,926</u>
Cumulative effect of restatement	(24,612)	(13,234)	(18,109)	(3,359)	(59,314)
NET POSITION, June 30, 2017 as restated	<u>40,121,786</u>	<u>16,084,617</u>	<u>25,618,934</u>	<u>871,275</u>	<u>82,696,612</u>
NET POSITION, June 30, 2018	<u>\$ 42,715,936</u>	<u>\$ 16,544,813</u>	<u>\$ 26,637,427</u>	<u>\$ 940,300</u>	<u>\$ 86,838,476</u>

See notes to basic financial statements

CITY OF SHERWOOD

Sherwood, Oregon

**ENTERPRISE FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

	Water	Sewer	Storm	Broadband	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers	\$ 5,712,045	\$ 630,116	\$ 1,844,468	\$ 427,945	\$ 8,614,574
Payments to suppliers	(2,600,916)	(173,531)	(509,342)	(242,276)	(3,526,065)
Payments to employees	(610,758)	(223,824)	(413,595)	(125,031)	(1,373,208)
NET CASH FROM OPERATING ACTIVITIES	<u>2,500,371</u>	<u>232,761</u>	<u>921,531</u>	<u>60,638</u>	<u>3,715,301</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Settlement payable	-	(507,436)	-	-	(507,436)
NET CASH FROM NON-CAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>(507,436)</u>	<u>-</u>	<u>-</u>	<u>(507,436)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of capital assets	(307,610)	(234,820)	(274,978)	(88,088)	(905,496)
Sale of capital assets	465	-	465	-	930
Capital related transfers out	-	-	-	(3,000)	(3,000)
System development charges	702,327	209,716	47,034	-	959,077
Principal paid on long-term obligations	(1,137,001)	-	-	-	(1,137,001)
Interest paid on long-term obligations	(760,855)	-	-	-	(760,855)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,502,674)</u>	<u>(25,104)</u>	<u>(227,479)</u>	<u>(91,088)</u>	<u>(1,846,345)</u>
CASH FLOWS FROM INVESTMENT ACTIVITIES					
Interest earnings	200,709	57,826	85,833	11,328	355,696
NET CASH FROM INVESTING ACTIVITIES	<u>200,709</u>	<u>57,826</u>	<u>85,833</u>	<u>11,328</u>	<u>355,696</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,198,406	(241,953)	779,885	(19,122)	1,717,216
CASH AND CASH EQUIVALENTS, beginning of year	<u>10,520,370</u>	<u>3,509,997</u>	<u>3,643,131</u>	<u>443,480</u>	<u>18,116,978</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$11,718,776</u>	<u>\$3,268,044</u>	<u>\$4,423,016</u>	<u>\$ 424,358</u>	<u>\$ 19,834,194</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES					
Operating income (loss)	\$ 2,113,053	\$ 8,747	\$ 562,894	\$ (18,088)	\$ 2,666,606
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	759,361	189,485	266,892	34,536	1,250,274
Pension expense (benefit)	60,175	(6,736)	55,395	34,385	143,219
Net OPEB expense (benefit)	(3,328)	(2,757)	629	2,580	(2,876)
Decrease (increase) in assets					
Prepays	-	-	-	(588)	(588)
Receivables, net	(271,585)	(53,303)	5,279	(19,727)	(339,336)
Increase (decrease) in liabilities					
Accounts payable	(170,613)	49,374	41,238	22,724	(57,277)
Payroll payable	4,357	(4,835)	8,122	(3,297)	4,347
Compensated absences payable	(10,089)	(1,552)	(5,614)	8,113	(9,142)
Other current liabilities	19,040	54,338	(13,304)	-	60,074
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 2,500,371</u>	<u>\$ 232,761</u>	<u>\$ 921,531</u>	<u>\$ 60,638</u>	<u>\$ 3,715,301</u>
Summary of non-cash transactions:					
Contributions of capital assets from developers	\$ 327,648	\$ 183,907	\$ 322,267	\$ 78,785	\$ 912,607
Contributions of capital assets to joint venture	(485,155)	-	-	-	(485,155)
Loss on investment in joint venture	5,185	-	-	-	5,185

See notes to basic financial statements

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

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 blended 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, 2018

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.

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

Special revenue: Fund type used to account for financial resources that are restricted for specific purposes other than capital projects.

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 broadband 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, 2018

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.

The City also reports one non-major proprietary fund:

- Broadband Fund — The Broadband fund (also known as Sherwood Broadband) accounts for the City's Broadband 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, 2018

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 reports 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 Statements No. 68 & 75, the City now presents deferred inflows from pensions and other post-employment benefits (OPEB) as deferred inflows on the statement of net position. The deferred inflows from pension and for OPEB are primarily for changes in the City's proportionate share and differences between City contributions and proportionate share of system contributions, as determined under GASB Statements No. 68 & 75. 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 reports 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 Statements No. 68 & 75, the City now presents deferred outflows from pensions and OPEB as deferred outflows on the statement of net position. The deferred outflows from pension and for OPEB are for plan contributions made subsequent to the measurement date of the liability, differences between expected and actual experience, changes in proportionate share, differences between City contributions and proportionate share of system contributions, net difference between projected and actual earnings on investments, 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, 2018

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 and intergovernmental revenues. 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, 2018

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, 2018

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. Postemployment Benefits Other than Pensions

Other Postemployment Benefits (OPEB) cost for retiree healthcare and similar, non-pension retiree benefits are reported in government-wide financial statements and proprietary fund statements as a net OPEB liability or asset for plans that have assets held in trust. If there are no assets held in trust, a total liability is reported. These amounts and the related deferred outflows of resources and deferred inflows of resources are based on reports provided by PERS and actuary reports.

8. 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.

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2018

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)

- Fund balance is reported as committed when the City Council passes a resolution that places specific constraints on how the resources may be used. The City Council can modify or rescind the commitment at any time through passage of an additional resolution.
- Resources that are constrained by the City's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Assigned fund balances are designated for specific use by the City Manager, authority granted by the City Council in Financial Policy V – Revenue Constraints and Fund Balance.
- Unassigned fund balance is the residual classification for the General Fund. This classification is also used to report any deficit fund balance amounts in other governmental funds.

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

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

E. Use of estimates

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

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, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budget (Continued)

The Street Operations and the Broadband 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.

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, 2018 as follows:

Governmental Activities	\$ 14,970,391
Proprietary Activities	<u>19,834,194</u>
	<u><u>\$ 34,804,585</u></u>

Cash and investments consist of:

Petty cash	\$ 1,800
Deposits with financial institutions	2,511,349
Uncleared checks/cash in transit	(607,874)
Local Government Investment Pool	<u>32,899,310</u>
	<u><u>\$ 34,804,585</u></u>

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2018

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, 2018, the City had deposits with financial institutions totaling \$2,511,349, 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 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, 2018

II. DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

Receivables as of June 30, 2018, net of allowance for uncollectible amounts, are as follows:

	Governmental Funds	Proprietary Funds	Total
Receivables:			
Court Fines	\$ 1,611,267	\$ -	\$ 1,611,267
Property taxes	494,608	-	494,608
State Revenue	227,875	-	227,875
Misc IG	28,227	-	28,227
4th Qtr Franchise Fees	272,467	-	272,467
Sports League Fees	11,410	-	11,410
Building Rent	15,995	1,518	17,513
Cell Tower Lease	1,148	-	1,148
Metro Q4 Comm Enhance Grant	20,429	-	20,429
Metro Contractors Bus Lic Prog	7,946	-	7,946
US EPA Brownsfield Tannery Grant	2,478	-	2,478
Sherwood School District	116,101	-	116,101
Miscellaneous	1,469	1,362	2,831
Utility Bills	69,937	1,115,515	1,185,452
Water rebate	-	162,434	162,434
Utility Bills for CWS	-	271,104	271,104
Sherwood Broadband	-	27,478	27,478
Gross Receivables	<u>2,881,357</u>	<u>1,579,411</u>	<u>4,460,768</u>
Less allowance for uncollectables:			
Court	(1,413,185)	-	(1,413,185)
Utility Bills	<u>(7,028)</u>	<u>(86,188)</u>	<u>(93,216)</u>
Net Receivables	<u><u>\$ 1,461,144</u></u>	<u><u>\$ 1,493,223</u></u>	<u><u>\$ 2,954,367</u></u>

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

II. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital assets

Capital assets for governmental activities for the year ended June 30, 2018 are as follows:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 13,588,221	\$ -	\$ (1,061,753)	\$ 12,526,468
Intangibles (easements)	5,853,315	-	-	5,853,315
Construction work in progress	812,434	808,895	(705,056)	916,273
Total capital assets not being depreciated	<u>20,253,970</u>	<u>808,895</u>	<u>(1,766,809)</u>	<u>19,296,056</u>
Capital assets being depreciated:				
Infrastructure	74,172,298	1,790,502	(27,455)	75,935,345
Buildings and improvements	46,257,424	580,146	-	46,837,570
Machinery and equipment	2,042,001	38,216	(56,093)	2,024,124
Licensed vehicles	1,432,461	126,124	(24,554)	1,534,031
Total capital assets being depreciated	<u>123,904,184</u>	<u>2,534,988</u>	<u>(108,102)</u>	<u>126,331,070</u>
Less accumulated depreciation:				
Infrastructure	43,404,799	3,807,412	(5,121)	47,207,090
Buildings and improvements	18,149,381	1,821,512	-	19,970,893
Machinery and equipment	1,235,456	149,582	(56,093)	1,328,945
Licensed vehicles	1,071,327	98,356	(24,554)	1,145,129
Total accumulated depreciation	<u>63,860,963</u>	<u>5,876,862</u>	<u>(85,768)</u>	<u>69,652,057</u>
Total capital assets being depreciated, net	60,043,221	(3,341,874)	(22,334)	56,679,013
Governmental activities capital assets, net	<u><u>\$ 80,297,191</u></u>	<u><u>\$ (2,532,979)</u></u>	<u><u>\$ (1,789,143)</u></u>	<u><u>\$ 75,975,069</u></u>
Governmental activities:				
Administration		\$ 84,426		
Public safety		26,934		
Community services		346,842		
Public works		<u>5,418,660</u>		
Total depreciation expense - governmental activities		<u><u>\$ 5,876,862</u></u>		

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

II. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital assets (Continued)

Capital assets for proprietary activities for the year ended June 30, 2018 are as follows:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Proprietary activities				
Capital assets not being depreciated:				
Land	\$ 224,945	\$ -	\$ -	\$ 224,945
Intangibles (easements)	2,867,399	1,774	-	2,869,173
Construction work in progress	1,343,802	452,183	(1,671,406)	124,579
Total capital assets not being depreciated	<u>4,436,146</u>	<u>453,957</u>	<u>(1,671,406)</u>	<u>3,218,697</u>
Capital assets being depreciated:				
Infrastructure	95,102,059	2,993,549	(507,541)	97,588,067
Buildings and improvements	11,322	-	-	11,322
Machinery and equipment	1,657,061	-	(30,154)	1,626,907
Licensed vehicles	535,224	42,005	-	577,229
Total capital assets being depreciated	<u>97,305,667</u>	<u>3,035,554</u>	<u>(537,695)</u>	<u>99,803,526</u>
Less accumulated depreciation:				
Infrastructure	12,550,320	1,143,905	(19,541)	13,674,684
Buildings and improvements	4,022	453	-	4,475
Machinery and equipment	1,421,934	65,605	(30,154)	1,457,385
Licensed vehicles	357,536	40,311	-	397,847
Total accumulated depreciation	<u>14,333,812</u>	<u>1,250,274</u>	<u>(49,695)</u>	<u>15,534,390</u>
Total capital assets being depreciated, net	82,971,855	1,785,280	(488,000)	84,269,136
Proprietary activities capital assets, net	<u>\$ 87,408,001</u>	<u>\$ 2,239,237</u>	<u>\$ (2,159,406)</u>	<u>\$ 87,487,832</u>
Proprietary activities:				
Water		\$ 759,361		
Sanitary		189,485		
Storm		266,892		
Telecom		34,536		
Total depreciation expense - proprietary activities		<u>\$ 1,250,274</u>		

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

II. DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital leases

In 2018, the City entered into a financing lease for the acquisition of office equipment valued at \$14,979. This increased the value of leased equipment to a total value to \$105,828. The equipment has between 5 and 8 year estimated useful lives. This year, \$12,883 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, 2018, were as follows:

Year ending June 30	Governmental Activities
2019	\$ 18,411
2020	18,411
2021	10,162
2022	356
Total minimum lease payments	47,340
Less: amount representing interest	(4,836)
Present value of minimum lease payments	<u>\$ 42,504</u>

E. Accounts payable and other current liabilities

Accounts payable and other current liabilities as of June 30, 2018, are as follows:

	Governmental Funds	Proprietary Funds	Total
Vendor accounts payable	\$ 781,071	\$ 646,536	\$ 1,427,607
Customer deposits	144,078	57,890	201,968
Clean Water Services fees	-	259,335	259,335
Other current liabilities	76,929	31,769	108,698
Total accounts payable and other current liabilities	<u>\$ 1,002,078</u>	<u>\$ 995,530</u>	<u>\$ 1,997,608</u>

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

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, 2018 are as follows. Note that stated interest rates relate to identified maturities and the City holds no variable interest obligations.

	Original Amount	Outstanding June 30, 2017	Issued	Matured/ Redeemed During Year	Outstanding June 30, 2018	Due Within One Year
Governmental activities						
General Obligation Bonds						
2011 Police Refunding (interest 2-4.04%)	\$ 2,305,000	\$ 1,005,000	\$ -	\$ (240,000)	\$ 765,000	\$ 245,000
Capital Leases						
2012 Pacific Office Automation - Copier	19,500	650	-	(650)	-	-
2015 De Lage Landen Copiers	63,349	43,288	-	(12,670)	30,618	12,670
2015 Pacific Office Automation - Plotter	8,000	2,461	-	(2,461)	-	-
2017 De Lage Landen - Copiers	14,979	-	14,979	(3,093)	11,886	3,594
Long-term Loans URA:						
2006 URA Streets #2 (3.66% -4.45%)	6,400,000	3,862,808	-	(319,419)	3,543,389	331,595
2010 URA Cannery & Streets (interest 4.65%)	7,065,000	5,295,000	-	(300,000)	4,995,000	315,000
2010 URA Cannery Projects (interest 2%)	5,898,888	4,765,367	-	(1,156,191)	3,609,176	1,179,315
2012 Civic bldg & Street Refunding (interest 3.0%)	5,245,000	3,130,000	-	(470,000)	2,660,000	485,000
Total of long-term debt for governmental activities		18,104,574	14,979	(2,504,484)	15,615,069	2,572,174
Premium on bonds issued		262,997	-	(42,356)	220,641	42,356
Total of long-term debt and premiums for governmental activities		<u>\$ 18,367,571</u>	<u>\$ 14,979</u>	<u>\$ (2,546,840)</u>	<u>\$ 15,835,710</u>	<u>\$ 2,614,530</u>
Proprietary activities						
Long-term Obligations for Enterprise activities						
2011 Water Projects (interest 2-5%)	\$14,165,000.00	\$ 12,160,000.00	\$ -	\$ (430,000.00)	\$11,730,000.00	\$ 440,000.00
2017 Water Refinancing (interest 2.29%)	9,189,000	9,189,000	-	(707,000)	8,482,000	594,000
Total of long-term debt for proprietary activities		21,349,000	-	(1,137,000)	20,212,000	1,034,000
Premium on bonds issued		141,123	-	(7,428)	133,695	7,428
Total of long-term debt and premiums for proprietary activities		<u>\$ 21,490,123</u>	<u>\$ -</u>	<u>\$ (1,144,428)</u>	<u>\$ 20,345,695</u>	<u>\$ 1,041,428</u>

	Outstanding June 30, 2017	Increases	Decreases	Outstanding June 30, 2018	Due Within One Year
Compensated absences payable					
Governmental activities	\$601,993	\$ 13,754	\$ (85,833)	\$ 529,914	\$211,966
Proprietary activities	107,889	8,113	(17,256)	98,746	39,498
Total	<u>\$709,882</u>	<u>\$ 21,867</u>	<u>\$ (103,089)</u>	<u>\$ 628,660</u>	<u>\$251,464</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, 2018

II. DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term liabilities (Continued)

3. 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
2019	\$ 245,000	\$ 16,264	\$ 2,310,910	\$ 555,731	\$ 3,127,905	\$ 1,034,000	\$ 724,605	\$ 1,758,605
2020	255,000	16,508	2,376,760	479,096	3,127,364	1,068,000	693,242	1,761,242
2021	265,000	9,378	2,453,247	397,100	3,124,725	1,102,000	660,759	1,762,759
2022	-	354	1,148,861	319,678	1,468,893	1,136,000	627,155	1,763,155
2023	-	-	1,151,575	274,882	1,426,457	1,176,000	587,418	1,763,418
2024-2028	-	-	4,331,212	756,310	5,087,522	6,466,000	2,340,780	8,806,780
2029-2033	-	-	1,035,000	72,773	1,107,773	5,560,000	1,272,344	6,832,344
2034-2036	-	-	-	-	-	2,670,000	271,500	2,941,500
	<u>\$ 765,000</u>	<u>\$ 42,504</u>	<u>\$ 14,807,565</u>	<u>\$ 2,855,570</u>	<u>\$ 18,470,639</u>	<u>\$ 20,212,000</u>	<u>\$ 7,177,803</u>	<u>\$ 27,389,803</u>

G. Transfers

Transfers are used to (1) allocate a portion of sale of land to the General Fund, (2) record Metro Community Enhancement Program funding in the special revenue fund that was receipted into the general fund and general construction fund in previous years, (3) move funds from Street Capital Fund to General Construction to finance trail improvements and (4) to move funds from Broadband Fund to URA to finance the placement of a conduit for fiber at the site of the downtown parking lot project.

Transfers Out:		Transfers In:				
Fund		Grants Fund	General Fund	General Construction Fund	URA	Total
1	Street Capital Fund	\$ -	\$ 993,475	\$ -	\$ -	\$ 993,475
2	General Fund	11,406	-	-	-	11,406
2	General Construction	15,905	-	-	-	15,905
3	Street Capital Fund	-	-	63,749	-	63,749
4	Broadband Fund	-	-	-	3,000	3,000
Total		<u>\$ 27,311</u>	<u>\$ 993,475</u>	<u>\$ 63,749</u>	<u>\$ 3,000</u>	<u>\$ 1,087,535</u>

Purpose:

- 1 To allocate portion of sale of asset to General Fund
- 2 To record previously received METRO CEP grant funding in the special revenue fund.
- 3 To fund Cedar Creek Trail and park improvements
- 4 To fund fiber conduit placement during downtown parking lot project

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2018

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/2017-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, 2018

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, 2018

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

The IAP is a defined contribution plan. 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, 2018

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, 2015 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, 2018 were \$1,197,513, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2018 were 21.26 percent for Tier One/Tier Two General Service Member and Police and Fire, 13.34 percent for OPSRP Pension Program General Service Members, and 18.11 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 \$428,818 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, 2018, the City reported a liability of \$11,231,145 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to June 30, 2017. 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, 2017, the City's proportion was 0.0833 percent, which is an increase from its proportion of 0.0825 percent measured as of June 30, 2016.

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

III. OTHER INFORMATION (Continued)

B. Pension plan (Continued)

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

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, 2018, the City's recognized pension expense of \$2,368,815. At June 30, 2018, 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	\$ 543,143	\$ -
Changes in assumptions	2,047,237	-
Net difference between projected and actual earnings on investments	115,707	-
Changes in proportionate share	125,949	319,666
Differences between employer contributions and employer's proportionate share of system contributions	178,901	111,472
City contributions subsequent to the measurement date	<u>1,197,513</u>	<u>-</u>
Total	<u>\$4,208,450</u>	<u>\$431,138</u>

\$1,197,513 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, 2019. 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:		
2019	\$	480,790
2020		1,390,650
2021		931,067
2022		(250,468)
2023		<u>27,759</u>
	<u>\$</u>	<u>2,579,798</u>

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2018

III. OTHER INFORMATION (Continued)

B. Pension plan (Continued)

5. Actuarial Assumptions

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial methods and assumptions:

Valuation Date	12/31/2015
Measurement Date	06/30/2017
Experience Study	2014, published September 23, 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, excluding reserves
Actuarial Assumptions:	
Inflation Rate	2.50%
Investment Rate of Return	7.50%
Discount Rate	7.50%
Projected Salary Increases	3.50%
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	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: 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, 2018

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, 2018

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 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	\$ 19,139,923	\$ 11,231,145	\$ 4,617,943

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

The other postemployment benefits (OPEB) for the City combines two separate plans. The City provides an implicit rate subsidy for retiree health insurance premiums, and a contribution to the State of Oregon's PERS cost-sharing multiple-employer defined health insurance benefit plan.

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

III. OTHER INFORMATION (Continued)

C. Postemployment Benefits Other than Pensions (Continued)

1. Financial Statement Presentation

The City's two OPEB plans are presented in the aggregate on the Statement of Net Position. The amounts on the financial statements relate to the plans as follows:

	Implicit Rate Subsidy Plan	PERS RHIA Plan	Total OPEB Reported
Net OPEB asset	\$ -	\$ 27,843	\$ 27,843
Deferred outflows of resources			
Contributions after the measurement date	5,489	32,620	38,109
Total deferred outflows of resources	5,489	32,620	38,109
Total OPEB Liability	497,476	0	497,476
Deferred inflows of resources			
Change in proportionate share	0	909	909
Change in assumptions	34,552		34,552
Difference in earnings	0	12,896	12,896
Total deferred inflows of resources	34,552	13,805	48,357
OPEB expense (benefit)	54,385	(188)	54,197
(Included in program expenses on Statement of Activities)			

2. Net OPEB Asset, Total OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The City's net OPEB asset of \$27,845 and total OPEB liability of \$497,476 were measured as of June 30, 2017, and were determined by an actuarial valuation as of July 1, 2016.

For the fiscal year ended June 30, 2018, the City recognized a net OPEB expense from the plans of \$54,197. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB plans from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in proportionate share	\$ -	\$ 909
Changes of assumptions, or inputs	-	34,552
Difference in earnings	-	12,896
Contributions subsequent to measurement date	38,109	-
Total	<u>\$ 38,109</u>	<u>\$ 48,357</u>

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

III. OTHER INFORMATION (CONTINUED)

C. Postemployment Benefits Other than Pensions (Continued)

2. Net OPEB Asset, Total OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Deferred outflows of resources related to OPEB of \$38,009 resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability and increase of the net pension asset in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:		
2019	\$	(7,579)
2020		(7,579)
2021		(7,477)
2022		(7,242)
2023		(4,018)
Thereafter		(14,462)
Total	\$	<u>(48,357)</u>

Implicit Rate Subsidy

1. Plan Description

The City's single-employer defined benefit postemployment healthcare plan is administered by City/County Insurance Services (CIS). Benefit provisions are established through negotiations between the City and representatives of collective bargaining units or through resolutions passed by City Council. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board (GASB) Statement 75.

2. Benefits Provided

The plan provides eligible retirees and their dependents under age 65 the same health care coverage at the same premium rates as offered to active employees. The retiree is responsible for the premiums. As of the valuation date of July 1, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries entitled, but not receiving benefits	0
Inactive employees or beneficiaries receiving benefits	0
Active employees	<u>99</u>
	<u>99</u>

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

III. OTHER INFORMATION (CONTINUED)

C. Postemployment Benefits Other than Pensions (Continued)

3. *Total OPEB liability, OPEB expense, and deferred outflows of resources and deferred inflows of resources:*

For the fiscal year ended June 30, 2018, the City recognized OPEB expense from this plan of \$54,385. At June 30, 2017 the City reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	\$ -	\$ 34,552
Contributions subsequent to measurement date	5,489	-
Total	<u>\$ 5,489</u>	<u>\$ 34,552</u>

Deferred outflows of resources related to OPEB of \$5,489 resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:		
2019	\$	(4,018)
2020		(4,018)
2021		(4,018)
2022		(4,018)
2023		(4,018)
Thereafter		<u>(14,462)</u>
Total	\$	<u>(34,552)</u>

4. *Actuarial Assumptions and Other Inputs*

The Implicit Subsidy OPEB liability in the July 1, 2016 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

III. OTHER INFORMATION (Continued)

C. Postemployment Benefits Other than Pensions (Continued)

4. Actuarial Assumptions and Other Inputs (Continued)

Actuarial cost method	Entry age normal
Inflation	2.5 percent
Salary increases	3.5 percent
Healthy mortality	RP-2000 healthy white collar male and female mortality tables, set back one year for males. Mortality is projected on a generational basis using Scale BB for males and females.
Discount rate	3.58 percent (change from 2.85 percent in previous measurement period)
Healthcare cost trend rate	Medical and vision: 7.50 percent per year, decreasing to 5.0 percent Dental: 4.50 percent per year

The discount rate was based on Bond Buyer 20-Year General Obligation Bond Index.

5. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance as of June 30, 2017	\$ 479,340
Changes for the year	
Service Cost	43,525
Interest on total OPEB liability	14,878
Effect of assumptions, changes or inputs	(38,570)
Benefit Payments	(1,697)
Balance as of June 30, 2018	<u>\$ 497,476</u>

Changes in assumptions is the result of the change in the discount rate from 2.85% to 3.58%.

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

III. OTHER INFORMATION (Continued)

C. Postemployment Benefits Other than Pensions (Continued)

6. Sensitivity of the Total OPEB Liability

The following presents the City's total OPEB liability, as well as what the liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current discount rate. A similar sensitivity analysis is then presented for changes in the healthcare trend assumption.

Discount Rate:	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Total OPEB Liability	\$ 553,218	\$ 497,476	\$ 446,512
Healthcare Cost Trend:	1% Decrease (6.5 decreasing to 4%)	Current Healthcare Trend Rate (7.5% decreasing to 5%)	1% Increase (8.5% decreasing to 6.0%)
Total OPEB Liability	\$ 424,669	\$ 497,476	\$ 584,441

PERS Retirement Health Insurance Account

1. Plan Description

The City contributes to the PERS Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by PERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums for eligible retirees. 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 hired after August 29, 2003. PERS issues publicly available financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700, or online at

http://Oregon.gov/PERS/section/financial_reports/financials.shtml.

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2018

III. OTHER INFORMATION (Continued)

C. Postemployment Benefits Other than Pensions (Continued)

2. Benefits Provided

Because 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 premiums 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 receive a disability allowance as if the member had eight years or more of creditable 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.

3. Contributions

PERS funding policy provides for 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 for the period were based on the December 31, 2015 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2017. The City's contribution rates for the period were 0.50% for Tier One/Tier Two members, and 0.43% for OPSRP members. The City's total for the year ended June 30, 2018 contributions was \$33,217.

4. OPEB Assets, Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the City reported an asset of \$27,843 for its proportionate share of the OPERS net OPEB asset. The net OPEB asset was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2015 rolled forward to June 30, 2017. The City's proportion of the net OPEB asset was based on the City's contributions to the RHIA program during the measurement period relative to contributions from all participating employers. At June 30, 2017, the City's proportionate share was 0.0667%, which is a decrease from its proportion of 0.0713% as of June 30, 2016.

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

III. OTHER INFORMATION (Continued)

C. Postemployment Benefits Other than Pensions (Continued)

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

For the year ended June 30, 2018, the City recognized OPEB benefit from this plan of \$188. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on investments	\$ -	\$ 12,896
Changes in proportionate share	-	909
Contributions subsequent to measurement date	<u>32,620</u>	<u>-</u>
Total	<u>\$ 32,620</u>	<u>\$ 13,805</u>

Deferred outflows of resources related to OPEB of \$32,622 resulting from the City's contributions subsequent to the measurement date will be recognized as either a reduction of the net OPEB liability or an increase in the net OPEB asset in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:		
2019	\$	(3,561)
2020		(3,561)
2021		(3,460)
2022		<u>(3,223)</u>
Total	\$	<u>(13,805)</u>

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

III. OTHER INFORMATION (Continued)

C. Postemployment Benefits Other than Pensions (Continued)

5. Actuarial Methods and Assumptions

The total OPEB liability in the December 31, 2015 actuarial valuation was determined using the following actuarial methods and assumptions:

Actuarial cost method	Entry age normal
Amortization method	Amortized as a level percentage of payroll as layered bases over a closed 10 year period
Asset valuation method	Market value of assets, excluding reserves
Inflation	2.5 percent
Investment rate of return	7.5 percent
Salary increase	3.5 percent
Retiree healthcare participation	Healthy retirees: 38%; Disabled retirees: 20%
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation Active members: Mortality rates are a percentage of healthy retiree rates that vary by group as described in the valuation Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-200 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, 2018

III. OTHER INFORMATION (Continued)

C. Postemployment Benefits Other than Pensions (Continued)

6. Long-Term Expected Rate of Return

The long-term expected rate of return was developed using the same analytical basis as discussed in the Pension note on page 48.

7. Discount Rate

The discount rate used to measure the total OPEB liability was 7.50% for the RHIA Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the RHIA 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 RHIA Plan was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the City's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

Discount Rate:	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net OPEB Liability (asset)	\$ 3,882	\$ (27,845)	\$ (54,831)

9. OPEB Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS 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 decrease the net OPEB asset or increase the net OPEB liability in future periods.

D. Funds responsible for postemployment related liabilities

The majority of postemployment related liabilities in governmental funds including PERS and OPEB are paid from the General Fund with a small portion (less than 10%) attributed to the Street Fund.

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2018

III. OTHER INFORMATION (Continued)

E. Investment in Joint Ventures

The City has ownership positions in two joint ventures with surrounding governmental organizations. The first is the Willamette Intake Facilities Commission (WIF), for treatment and distribution of water. The second is the Willamette River Water Coalition (WRWC), to coordinate water rights on the Willamette River.

The WIF is a joint venture of the City and the Tualatin Valley Water District and the cities of Wilsonville, Tigard, Hillsboro and Beaverton. The financial statements may be obtained from Tualatin Valley Water District, Finance Department, 1850 SW 170th Avenue, Beaverton, OR 97003.

The WRWC is a joint venture of the City and the Tualatin Valley Water District and the cities of Tigard, and Tualatin. The financial statements may be obtained from Tualatin Valley Water District, Finance Department, 1850 SW 170th Avenue, Beaverton, OR 97003.

1. Willamette Intake Facilities Commission

The WIF was organized in April 2018 under Oregon Revised Statute (ORS) 190 and was established by an agreement between the cities of Wilsonville, Hillsboro, Tigard, Beaverton, Sherwood, and Tualatin Valley Water District (the District). The Commission is governed by a six-member board, with one representative appointed by each member jurisdiction. The purpose of the Commission is to provide for the ownership, management, and operation of the Willamette intake facilities which are used to withdraw and transmit water to the parties. The Commission is managed by Tualatin Valley Water District.

Expenses are allocated on a unit basis by the Commission. Each joint venturer's apportioned share of the general administration expenses is determined by the following formula: 25% of the administrative costs for the fiscal year is divided evenly among the Commission's membership; the remainder is divided among the Commission membership according to their percentage share of the capacity ownership in the intake facilities.

Operations, maintenance, and repair expenses that are a result of use of the facilities are allocated based on each party's proportionate use of the WIF. Operations, maintenance, and repair expenses unrelated to usage will be allocated based on each party's proportionate ownership of the WIF.

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

III. OTHER INFORMATION (Continued)

E. Investment in Joint Ventures (Continued)

1. Willamette Intake Facilities Commission (Continued)

The following percentages were in effect at June 30, 2018

Tualatin Valley Water District	39.40 %
City of Wilsonville	16.67
City of Sherwood	6.47
City of Tigard	10.00
City of Hillsboro	24.13
City of Beaverton	3.33

2. Willamette River Water Coalition

Willamette River Water Coalition (the Coalition) was organized under Oregon Revised Statute (ORS) 190 and was established by an agreement between the cities of Tigard, Tualatin, Sherwood, and Tualatin Valley Water District (the District). The Coalition is governed by a four-member board, with one representative appointed by each member jurisdiction. The purpose of the Coalition is to preserve access to the Willamette River as a potential municipal and industrial water source for each of the growing communities listed above. The Coalition is managed by the District.

Operation and maintenance expense is determined on a unit basis by the Coalition. Each joint venturer's apportioned share of the general administration expenses is determined by the following formula: one half of the administrative costs for the fiscal year is divided evenly among the Coalition's membership, the second half of the total administrative cost of the fiscal year is divided among the Coalition membership according to their percentage share of the total number of water meters served by the members of the Coalition as of January 1 of the preceding fiscal year. The following percentages were in effect at June 30, 2018:

City of Tigard	20.28 %
City of Tualatin	7.36
City of Sherwood	6.24
Tualatin Valley Water District	66.12

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

III. OTHER INFORMATION (Continued)

E. Investment in Joint Ventures (Continued)

The City's investment in joint ventures is summarized as follows:

	Willamette Intake Facilities Commission	Willamette River Water Coalition	Total
Investment in joint ventures at June 30, 2017	\$ -	\$ 6,723	\$ 6,723
Investment	485,155	-	485,155
Income (loss) for the year	(1,829)	(3,356)	(5,185)
Investment in joint ventures at June 30, 2018	<u>\$ 483,326</u>	<u>\$ 3,367</u>	<u>\$ 486,693</u>

The investment in joint ventures related to WRWC was not previously reported in the financial statements as it was immaterial. With the addition of the WIF the City will now be reporting joint ventures on the face of the financial statements. A portion of the restatement discussed in note V below reflects this.

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, 2018 financial statements. The City has no significant outstanding commitments at June 30, 2018 related to construction contracts.

V. CHANGE IN ACCOUNTING PRINCIPLE AND OTHER RESTATEMENT

In implementing GASB Statement No. 75, the City has restated beginning net position in order to recognize the correct Total OPEB Liability for the City's Implicit Rate Subsidy plan and to recognize the City's proportionate share of the Net OPEB Asset of the Oregon Public Employees Retirement Systems (OPERS). The restatement also recognizes a deferred outflow of resources related to OPEB for contributions from each plan made after the June 30, 2017 measurement date. The restatement below also includes the amount related to the reporting of the joint venture with WRWC as discussed in note III above.

	Governmental Activities	Proprietary Type Activities	Total
Net position - beginning (as originally reported)	\$ 66,837,290	\$82,755,926	\$ 149,593,216
Change due to implementation of GASB. No. 75	(397,752)	(66,037)	(463,789)
Change due to inclusion of WRWC joint venture	<u>-</u>	<u>6,723</u>	<u>6,723</u>
Net position - beginning (as restated)	<u>\$ 66,439,538</u>	<u>\$82,696,612</u>	<u>\$ 149,136,150</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SHERWOOD

Sherwood, Oregon

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2018

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Property taxes	\$5,511,800	\$ 5,511,800	\$ 5,431,770	\$ (80,030)
Franchises and fees	1,961,522	1,961,522	1,981,284	19,762
Intergovernmental	1,892,208	2,000,088	2,035,965	35,877
Charges for services	1,514,605	1,664,605	2,280,743	616,138
Fines and forfeitures	1,182,150	1,182,150	1,245,800	63,650
Interest	47,000	47,000	66,724	19,724
Miscellaneous	39,800	44,800	68,613	23,813
TOTAL REVENUES	<u>12,149,085</u>	<u>12,411,965</u>	<u>13,110,899</u>	<u>698,934</u>
EXPENDITURES:				
Administration	2,589,274	2,793,833	2,657,138	136,695
Community development	1,663,505	1,886,091	1,803,328	82,763
Public safety	3,788,527	3,938,876	3,725,426	213,450
Community services	2,008,264	2,060,774	1,923,931	136,843
Public works	2,489,296	2,410,439	2,365,507	44,932
Contingency	607,454	371,720	-	371,720
TOTAL EXPENDITURES	<u>13,146,320</u>	<u>13,461,733</u>	<u>12,475,330</u>	<u>986,403</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(997,235)</u>	<u>(1,049,768)</u>	<u>635,569</u>	<u>1,685,337</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	140,640	993,522	993,475	(47)
Transfers out	(6,058)	(11,406)	(11,406)	-
Capital lease proceeds	-	-	14,979	14,979
Sale of capital assets	-	-	8,576	8,576
TOTAL OTHER FINANCING SOURCES (USES)	<u>134,582</u>	<u>982,116</u>	<u>1,005,624</u>	<u>23,508</u>
NET CHANGE IN FUND BALANCE	<u>(862,653)</u>	<u>(67,652)</u>	<u>1,641,193</u>	<u>1,708,845</u>
FUND BALANCE - beginning of year	<u>2,726,385</u>	<u>2,837,235</u>	<u>2,837,235</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 1,863,732</u>	<u>\$ 2,769,583</u>	<u>\$ 4,478,428</u>	<u>\$ 1,708,845</u>

CITY OF SHERWOOD

Sherwood, Oregon

STREET OPERATIONS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Intergovernmental	\$ 1,177,943	\$1,177,943	\$1,314,012	\$ 136,069
Charges for services	607,000	607,000	613,604	6,604
Fines, interest and other	20,000	20,000	41,099	21,099
Miscellaneous	300	300	3,214	2,914
TOTAL REVENUES	<u>1,805,243</u>	<u>1,805,243</u>	<u>1,971,929</u>	<u>166,686</u>
EXPENDITURES:				
Personnel services	420,869	420,869	341,546	79,323
Materials and services	1,920,797	1,951,397	1,708,539	242,858
Capital outlay	262,500	262,500	132,511	129,989
Contingency	90,262	90,262	-	90,262
TOTAL EXPENDITURES	<u>2,694,428</u>	<u>2,725,028</u>	<u>2,182,596</u>	<u>542,432</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(889,185)</u>	<u>(919,785)</u>	<u>(210,667)</u>	<u>709,118</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(30,600)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(30,600)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(919,785)</u>	<u>(919,785)</u>	<u>(210,667)</u>	<u>709,118</u>
FUND BALANCE - beginning of year	<u>2,087,494</u>	<u>2,087,494</u>	<u>2,294,362</u>	<u>206,868</u>
FUND BALANCE - end of year	<u>\$ 1,167,709</u>	<u>\$1,167,709</u>	<u>\$2,083,695</u>	<u>\$ 915,986</u>

CITY OF SHERWOOD
Sherwood, Oregon

URBAN RENEWAL OPERATIONS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Property taxes	\$3,731,740	\$3,731,740	\$ 3,776,565	\$ 44,825
Fines, interest and other	18,000	18,000	34,532	16,532
TOTAL REVENUES	<u>3,749,740</u>	<u>3,749,740</u>	<u>3,811,097</u>	<u>61,357</u>
EXPENDITURES:				
Personnel services	115,092	179,455	147,082	32,373
Materials and services	70,531	99,650	93,179	6,471
Capital outlay	340,000	394,718	391,345	3,373
Debt service	2,840,244	2,840,244	2,840,244	-
Contingency	187,487	39,287	-	39,287
TOTAL EXPENDITURES	<u>3,553,354</u>	<u>3,553,354</u>	<u>3,471,850</u>	<u>81,504</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>196,386</u>	<u>196,386</u>	<u>339,247</u>	<u>142,861</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	3,500	3,000	(500)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>3,500</u>	<u>3,000</u>	<u>(500)</u>
NET CHANGE IN FUND BALANCE	196,386	199,886	342,247	142,361
FUND BALANCE - beginning of year	<u>1,595,720</u>	<u>1,595,720</u>	<u>1,792,891</u>	<u>197,171</u>
FUND BALANCE - end of year	<u>\$ 1,792,106</u>	<u>\$ 1,795,606</u>	<u>\$ 2,135,138</u>	<u>\$ 339,532</u>

CITY OF SHERWOOD
Sherwood, Oregon

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

For the last four fiscal years ^{1,2}

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
2018	0.0833%	\$ 11,231,145	\$7,239,308	155.14%	83.12%
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%

¹ 10-year trend information required by GASB Statement 68 will be presented prospectively

² Amounts presented are for the measurement period reported during the fiscal year, which for FY 2018 is July 1, 2016 - June 30, 2017

SCHEDULE OF PLAN CONTRIBUTIONS

For the last five fiscal years ¹

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
2018	\$1,197,513	\$ 1,197,513	-	\$ 7,539,920	15.88 %
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

¹ 10-year trend information required by GASB Statement 68 will be presented prospectively

CITY OF SHERWOOD

Sherwood, Oregon

SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS

**Implicit Rate Subsidy Plan
For the last one fiscal year ^{1,2}**

	2018
Total OPEB Liability	
Service Cost	\$ 43,525
Interest	14,878
Changes of assumptions or other inputs	(38,570)
Benefit payments	<u>(1,697)</u>
Net change in OPEB Liability	18,136
Total OPEB Liability-beginning	<u>479,340</u>
Total OPEB Liability-ending	<u><u>497,476</u></u>
City's Covered Payroll	7,539,920
Total OPEB Liability as a percentage of it's covered payroll	6.6%

¹ 10-year trend information required by GASB Statement 75 will be presented prospectively

² Amounts presented are for the measurement period reported during the fiscal year, which for FY 2018 is July 1, 2016 - June 30, 2017

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)

Oregon Public Employees Retirement System, Retirement Health Insurance Account

For the last two fiscal years ^{1,2}

Year Ended June 30,	(a) City's proportion of the net OPEB liability (asset)	(b) City's proportionate share of the net OPEB liability (asset)	(c) City's covered payroll	(b/c) City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2018	0.0667%	\$ (27,843)	\$7,239,308	-0.38%	108.88%
2017	0.0713%	19,364	7,318,363	0.26%	94.15%

¹ 10-year trend information required by GASB Statement 75 will be presented prospectively

² Amounts presented are for the measurement period reported during the fiscal year, which for FY 2018 is July 1, 2016 - June 30, 2017

CITY OF SHERWOOD

Sherwood, Oregon

SCHEDULE OF THE CITY'S CONTRIBUTIONS**Oregon Public Employees Retirement System, Retirement Health Insurance Account****For the last four fiscal years ¹**

Year Ended June 30,	(a) Contractually required contribution	(b) Contributions in relation to the contractually required contribution	(a-b) Contribution deficiency (excess)	(c) City's covered payroll	(b/c) Contributions as a percent of covered payroll
2018	\$ 33,217	\$ 33,217	-	\$ 7,539,920	0.44 %
2017	34,723	34,723	-	7,239,308	0.48
2016	32,568	32,568	-	7,318,363	0.45
2015	31,094	31,094	-	6,379,226	0.49

¹ 10-year trend information required by GASB Statement 75 will be presented prospectively

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018**

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, 2018**

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.

CITY OF SHERWOOD

Sherwood, Oregon

III. ACTUARIAL ASSUMPTIONS AND METHODS USED TO ACTUARIALLY DETERMINE OPEB CONTRIBUTIONS

Oregon Public Employees Retirement System, Retirement Health Insurance Account actuarial assumptions are as follows:

Actuarial Valuation	December 31, 2015	December 31, 2013	December 31, 2011
Effective	July 2017 - June 2019	July 2015 - June 2017	July 2013 - June 2015
Actuarial cost method:	Entry Age Normal	Entry Age Normal	Projected Unit Credit
Actuarial valuation method:	Market Value	Market Value	Market Value
Actuarial assumption:			
Inflation rate	2.50 percent	2.75 percent	2.75 percent
Projected salary increases	3.50 percent	3.75 percent	3.75 percent
Investment rate of return	7.50 percent	7.75 percent	8.00 percent
Healthcare cost inflation	Ranging from 6.3% in 2016 to 4.4% in 2094	Ranging from 6.1% in 2014 to 4.7% in 2083	Ranging from 6.9% in 2012 to 4.5% in 2029

IV. CHANGES IN ACTUARIAL ASSUMPTIONS IN OPEB CONTRIBUTIONS

Changes in Implicit Rate Subsidy Plan assumptions are the result of the change in the discount rate from 2.85% to 3.58%.

OTHER SUPPLEMENTARY INFORMATION

CITY OF SHERWOOD
Sherwood, Oregon

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018**

	Special Revenue Funds			Capital Project Funds		
	Debt Service	Transient Lodging Tax	Grants	General Construction	Street Capital	Totals
ASSETS:						
Cash and investments	\$ 35,161	\$ 1,259	\$ 22,135	\$ 1,255,102	\$4,671,181	\$5,984,838
Receivables	40,373	428	20,429	13,637	-	74,867
TOTAL ASSETS	<u>\$ 75,534</u>	<u>\$ 1,687</u>	<u>\$ 42,564</u>	<u>\$ 1,268,739</u>	<u>\$4,671,181</u>	<u>\$6,059,705</u>
LIABILITIES:						
Accounts payable	\$ -	\$ -	\$ -	\$ 1,949	\$ 25,065	\$ 27,014
Payroll payable	-	-	-	2,106	2,559	4,665
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,055</u>	<u>27,624</u>	<u>31,679</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	37,358	-	-	-	-	37,358
FUND BALANCES:						
Restricted	38,176	1,687	-	1,128,639	4,517,522	5,686,024
Committed	-	-	42,564	125,439	103,844	271,847
Assigned	-	-	-	10,606	22,191	32,797
TOTAL FUND BALANCES	<u>38,176</u>	<u>1,687</u>	<u>42,564</u>	<u>1,264,684</u>	<u>4,643,557</u>	<u>5,990,668</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 75,534</u>	<u>\$ 1,687</u>	<u>\$ 42,564</u>	<u>\$ 1,268,739</u>	<u>\$4,671,181</u>	<u>\$6,059,705</u>

CITY OF SHERWOOD
Sherwood, Oregon

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds			Capital Project Funds		
	Debt Service	Transient Lodging Tax	Grants	General Construction	Street Capital	Totals
REVENUES:						
Property taxes	\$ 280,868	\$ -	\$ -	\$ -	\$ -	\$ 280,868
Franchises and fees	-	-	-	34,627	-	34,627
Intergovernmental	-	1,679	80,893	4,723	-	87,295
Charges for services	-	-	-	25,274	57,678	82,952
Infrastructure development fees	-	-	-	411,154	610,927	1,022,081
Interest	495	8	274	18,467	58,056	77,300
Miscellaneous	-	-	6,931	-	7,843	14,774
TOTAL REVENUES	<u>281,363</u>	<u>1,687</u>	<u>88,098</u>	<u>494,245</u>	<u>734,504</u>	<u>1,599,897</u>
EXPENDITURES:						
Current						
Public works	-	-	72,845	99,742	89,859	262,446
Noncurrent						
Capital outlay	-	-	-	102,699	24,690	127,389
Debt service	<u>271,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>271,750</u>
TOTAL EXPENDITURES	<u>271,750</u>	<u>-</u>	<u>72,845</u>	<u>202,441</u>	<u>114,549</u>	<u>661,585</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>9,613</u>	<u>1,687</u>	<u>15,253</u>	<u>291,804</u>	<u>619,955</u>	<u>938,312</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	27,311	63,749	-	91,060
Transfers out	-	-	-	(15,905)	(1,057,224)	(1,073,129)
Proceeds from sale of capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,115,620</u>	<u>2,115,620</u>
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>27,311</u>	<u>47,844</u>	<u>1,058,396</u>	<u>1,133,551</u>
NET CHANGE IN FUND BALANCE	9,613	1,687	42,564	339,648	1,678,351	2,071,863
FUND BALANCE - beginning of year	<u>28,563</u>	<u>-</u>	<u>-</u>	<u>925,036</u>	<u>2,965,206</u>	<u>3,918,805</u>
FUND BALANCE - end of year	<u>\$ 38,176</u>	<u>\$ 1,687</u>	<u>\$ 42,564</u>	<u>\$ 1,264,684</u>	<u>\$ 4,643,557</u>	<u>\$ 5,990,668</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, 2018**

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Property taxes	\$271,750	\$271,750	\$280,868	\$ 9,118
Interest	3,100	3,100	495	(2,605)
TOTAL REVENUES	<u>274,850</u>	<u>274,850</u>	<u>281,363</u>	<u>6,513</u>
EXPENDITURES:				
Debt service	<u>271,750</u>	<u>271,750</u>	<u>271,750</u>	<u>-</u>
TOTAL EXPENDITURES	<u>271,750</u>	<u>271,750</u>	<u>271,750</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,100</u>	<u>3,100</u>	<u>9,613</u>	<u>6,513</u>
NET CHANGE IN FUND BALANCE	3,100	3,100	9,613	6,513
FUND BALANCE - beginning of year	<u>14,460</u>	<u>14,460</u>	<u>28,563</u>	<u>14,103</u>
FUND BALANCE - end of year	<u>\$ 17,560</u>	<u>\$ 17,560</u>	<u>\$ 38,176</u>	<u>\$ 20,616</u>

CITY OF SHERWOOD

Sherwood, Oregon

**TRANSIENT LODGING TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 1,679	\$ 1,679
Interest and other	-	-	8	8
TOTAL REVENUES	-	-	1,687	1,687
EXPENDITURES:				
TOTAL EXPENDITURES	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	1,687	1,687
NET CHANGE IN FUND BALANCE	-	-	1,687	1,687
FUND BALANCE - beginning of year	-	-	-	-
FUND BALANCE - end of year	\$ -	\$ -	\$ 1,687	\$ 1,687

CITY OF SHERWOOD

Sherwood, Oregon

GRANT FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2018

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Intergovernmental	\$ 82,000	\$ 82,000	\$ 80,893	\$ (1,107)
Interest and other	-	8,000	7,205	(795)
TOTAL REVENUES	<u>82,000</u>	<u>90,000</u>	<u>88,098</u>	<u>(1,902)</u>
EXPENDITURES:				
Personnel services	-	-	1,779	(1,779) *
Materials and services	87,000	95,000	71,066	23,934 *
Contingency	4,100	4,100	-	4,100
TOTAL EXPENDITURES	<u>91,100</u>	<u>99,100</u>	<u>72,845</u>	<u>26,255</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(9,100)</u>	<u>(9,100)</u>	<u>15,253</u>	<u>24,354</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	22,038	27,311	27,311	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>22,038</u>	<u>27,311</u>	<u>27,311</u>	<u>5,273</u>
NET CHANGE IN FUND BALANCE	12,938	18,211	42,564	24,353
FUND BALANCE - beginning of year	-	-	-	-
FUND BALANCE - end of year	<u>\$ 12,938</u>	<u>\$ 18,211</u>	<u>\$ 42,564</u>	<u>\$ 24,353</u>

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

CITY OF SHERWOOD
Sherwood, Oregon

**GENERAL CONSTRUCTION FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Franchises and fees	\$ 40,000	\$ 40,000	\$ 34,627	\$ (5,373)
Intergovernmental	-	-	4,723	4,723
Charges for services	18,000	18,000	25,274	7,274
Infrastructure development fees	107,090	107,090	411,154	304,064
Interest and other	7,000	7,000	18,467	11,467
TOTAL REVENUES	<u>172,090</u>	<u>172,090</u>	<u>494,245</u>	<u>322,155</u>
EXPENDITURES:				
Personnel services	85,605	85,605	42,954	42,651
Materials and services	255,848	257,098	56,788	200,310
Capital outlay	558,190	389,668	102,699	286,969
TOTAL EXPENDITURES	<u>899,643</u>	<u>732,371</u>	<u>202,441</u>	<u>529,930</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(727,553)</u>	<u>(560,281)</u>	<u>291,804</u>	<u>852,086</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	604,224	435,702	63,749	(371,953)
Transfers out	(15,980)	(15,905)	(15,905)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>588,244</u>	<u>419,797</u>	<u>47,844</u>	<u>(371,953)</u>
NET CHANGE IN FUND BALANCE	<u>(139,309)</u>	<u>(140,484)</u>	<u>339,648</u>	<u>480,132</u>
FUND BALANCE - beginning of year	<u>688,407</u>	<u>689,582</u>	<u>925,036</u>	<u>235,454</u>
FUND BALANCE - end of year	<u>\$ 549,098</u>	<u>\$ 549,098</u>	<u>\$ 1,264,684</u>	<u>\$ 715,586</u>

CITY OF SHERWOOD

Sherwood, Oregon

**STREET CAPITAL FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Intergovernmental	\$ 158,000	\$ 158,000	\$ -	\$ (158,000)
Charges for services	52,000	52,000	57,678	5,678
Infrastructure development fees	149,000	149,000	610,927	461,927
Fines, interest and other	25,000	25,000	65,899	40,899
TOTAL REVENUES	<u>384,000</u>	<u>384,000</u>	<u>734,504</u>	<u>350,504</u>
EXPENDITURES:				
Personnel services	64,183	64,183	32,968	31,215
Materials and services	186,702	186,702	56,891	129,811
Capital outlay	75,000	75,000	24,690	50,310
TOTAL EXPENDITURES	<u>325,885</u>	<u>325,885</u>	<u>114,549</u>	<u>211,336</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>58,115</u>	<u>58,115</u>	<u>619,955</u>	<u>561,840</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of capital assets	-	2,115,620	2,115,620	-
Transfers out	(604,224)	(1,429,224)	(1,057,224)	372,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>(604,224)</u>	<u>686,396</u>	<u>1,058,396</u>	<u>372,000</u>
NET CHANGE IN FUND BALANCE	<u>(546,109)</u>	<u>744,511</u>	<u>1,678,351</u>	<u>933,840</u>
FUND BALANCE - beginning of year	<u>2,992,716</u>	<u>2,992,716</u>	<u>2,965,206</u>	<u>(27,510)</u>
FUND BALANCE - end of year	<u>\$ 2,446,607</u>	<u>\$ 3,737,227</u>	<u>\$ 4,643,557</u>	<u>\$ 906,330</u>

CITY OF SHERWOOD

Sherwood, Oregon

**WATER FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Charges for services	\$ 5,695,503	\$ 5,695,503	\$ 5,983,630	\$ 288,127
Infrastructure development fees	658,870	658,870	702,327	43,457
Interest	145,000	145,000	200,709	55,709
TOTAL REVENUES	<u>6,499,373</u>	<u>6,499,373</u>	<u>6,886,666</u>	<u>387,293</u>
EXPENDITURES:				
Operations	3,346,724	3,380,374	2,968,807	411,567
Capital	1,317,465	1,317,465	403,263	914,202
Debt Service	1,898,170	1,898,170	1,897,855	315
Contingency	287,025	287,025	-	287,025
TOTAL EXPENDITURES	<u>6,849,384</u>	<u>6,883,034</u>	<u>5,269,925</u>	<u>1,613,109</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(350,011)</u>	<u>(383,661)</u>	<u>1,616,741</u>	<u>2,000,402</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(33,650)	-	-	-
Sale of fixed assets	-	-	465	465
TOTAL OTHER FINANCING SOURCES	<u>(33,650)</u>	<u>-</u>	<u>465</u>	<u>465</u>
NET CHANGE IN FUND BALANCE	<u>(383,661)</u>	<u>(383,661)</u>	<u>1,617,206</u>	<u>2,000,867</u>
FUND BALANCE - beginning of year	<u>10,435,677</u>	<u>10,435,677</u>	<u>10,755,402</u>	<u>319,725</u>
FUND BALANCE - end of year	<u>\$ 10,052,016</u>	<u>\$10,052,016</u>	<u>\$ 12,372,608</u>	<u>\$ 2,320,592</u>

CITY OF SHERWOOD

Sherwood, Oregon

**WATER FUND
RECONCILIATION OF SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

Change in fund balance - budgetary basis	\$ 1,617,206
Pension expense	(60,175)
OPEB expense	3,328
Depreciation expense	(759,361)
Loss on investment in joint ventures	(5,185)
Loss on disposal of fixed assets	(2,845)
Expenditures capitalized	307,610
Contributed assets	327,648
Principal payments on long-term obligations	1,137,000
Change in accrued interest on long-term obligations	11,407
Change in compensated absences	10,090
Amortization of debt premium	7,427
Change in net position - GAAP basis	<u>\$ 2,594,150</u>
Fund balance - budgetary basis	\$ 12,372,608
Net pension liability	(585,047)
OPEB asset	1,450
OPEB liability	(28,757)
Deferred outflows-Pension	219,224
Deferred outflows-OPEB	2,016
Deferred inflows-Pension	(22,459)
Deferred inflows-OPEB	(2,716)
Investment in joint ventures	486,693
Capital assets	50,718,031
Long-term obligations and related premium	(20,345,696)
Compensated absences	(41,458)
Accrued interest on long term obligations	(57,953)
Net position - GAAP basis	<u>\$ 42,715,936</u>

CITY OF SHERWOOD

Sherwood, Oregon

**SEWER FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Charges for services	\$ 655,364	\$ 655,364	\$ 680,741	\$ 25,377
Intergovernmental	-	-	2,678	2,678
Infrastructure development fees	596,373	596,373	209,716	(386,657)
Interest and other	49,000	49,000	57,826	8,826
TOTAL REVENUES	<u>1,300,737</u>	<u>1,300,737</u>	<u>950,961</u>	<u>(349,776)</u>
EXPENDITURES:				
Operations	670,721	704,771	510,489	194,282
Capital	851,057	851,057	727,997	123,060
Contingency	33,218	33,218	-	33,218
TOTAL EXPENDITURES	<u>1,554,996</u>	<u>1,589,046</u>	<u>1,238,486</u>	<u>350,560</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(254,259)</u>	<u>(288,309)</u>	<u>(287,525)</u>	<u>784</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(34,050)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(34,050)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(288,309)</u>	<u>(288,309)</u>	<u>(287,525)</u>	<u>784</u>
FUND BALANCE - beginning of year	<u>3,107,723</u>	<u>3,107,723</u>	<u>3,292,842</u>	<u>185,119</u>
FUND BALANCE - end of year	<u>\$2,819,414</u>	<u>\$2,819,414</u>	<u>\$ 3,005,317</u>	<u>\$ 185,903</u>

CITY OF SHERWOOD

Sherwood, Oregon

**SEWER FUND
RECONCILIATION OF SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

Change in fund balance - budgetary basis	\$ (287,525)
Pension expense	6,735
OPEB expense	2,757
Depreciation expense	(189,485)
Expenditures capitalized	234,820
Settlement payment recorded last fiscal year	507,435
Contributed assets	183,907
Change in compensated absences	<u>1,552</u>
Change in net position - GAAP basis	<u>\$ 460,196</u>
Fund balance - budgetary basis	\$ 3,005,317
Net pension liability	(202,599)
OPEB asset	502
OPEB liability	(10,693)
Deferred outflows-Pension	75,916
Deferred outflows-OPEB	706
Deferred inflows-Pension	(7,777)
Deferred inflows-OPEB	(992)
Capital assets	13,701,595
Compensated absences	<u>(17,162)</u>
Net position - GAAP basis	<u>\$ 16,544,813</u>

CITY OF SHERWOOD

Sherwood, Oregon

**STORM FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Charges for services	\$ 1,890,022	\$ 1,890,022	\$ 1,839,189	\$ (50,833)
Infrastructure development fees	99,540	99,540	47,034	(52,506)
Interest and other	33,000	33,000	85,833	52,833
TOTAL REVENUES	<u>2,022,562</u>	<u>2,022,562</u>	<u>1,972,056</u>	<u>(50,506)</u>
EXPENDITURES:				
Operations	1,653,815	1,728,055	1,191,996	536,059
Capital	88,001	88,001	41,975	46,026
Contingency	205,160	173,260	-	173,260
TOTAL EXPENDITURES	<u>1,946,976</u>	<u>1,989,316</u>	<u>1,233,971</u>	<u>755,345</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>75,586</u>	<u>33,246</u>	<u>738,085</u>	<u>704,839</u>
OTHER FINANCING SOURCES (USES):				
Sale of fixed assets	-	-	465	465
Transfers out	(42,340)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(42,340)</u>	<u>-</u>	<u>465</u>	<u>465</u>
NET CHANGE IN FUND BALANCE	33,246	33,246	738,550	705,304
FUND BALANCE - beginning of year	<u>3,382,617</u>	<u>3,382,617</u>	<u>3,750,726</u>	<u>368,109</u>
FUND BALANCE - end of year	<u><u>\$3,415,863</u></u>	<u><u>\$3,415,863</u></u>	<u><u>\$ 4,489,276</u></u>	<u><u>\$ 1,073,413</u></u>

CITY OF SHERWOOD

Sherwood, Oregon

**STORM FUND
RECONCILIATION OF SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

Change in fund balance - budget basis	\$ 738,550
Pension expense	(55,395)
OPEB expense	(629)
Depreciation expense	(266,892)
Contributed assets	322,267
Expenditures capitalized	274,978
Change in compensated absences	5,614
Change in net position - GAAP basis	<u>\$ 1,018,493</u>
Fund balance - budget basis	\$ 4,489,276
Net pension liability	(378,111)
OPEB asset	937
OPEB liability	(19,187)
Deferred outflows-Pension	141,683
Deferred outflows-OPEB	1,310
Deferred inflows-Pension	(14,515)
Deferred inflows-OPEB	(1,798)
Capital assets	22,444,489
Compensated absences	(26,657)
Net position - GAAP basis	<u>\$ 26,637,427</u>

CITY OF SHERWOOD

Sherwood, Oregon

**BROADBAND FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Charges for services	\$ 352,452	\$ 452,452	\$ 447,672	\$ (4,780)
Interest	6,000	6,000	11,328	5,328
TOTAL REVENUES	<u>358,452</u>	<u>458,452</u>	<u>459,000</u>	<u>548</u>
EXPENDITURES:				
Personnel services	107,420	107,420	121,733	(14,313) *
Materials and services	223,363	293,963	264,412	29,551 *
Capital outlay	100,000	143,000	88,089	54,911 *
Contingency	17,923	823	-	823
TOTAL EXPENDITURES	<u>448,706</u>	<u>545,206</u>	<u>474,234</u>	<u>70,972</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(90,254)</u>	<u>(86,754)</u>	<u>(15,234)</u>	<u>71,520</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(3,500)	(3,000)	500
NET CHANGE IN FUND BALANCE	<u>(90,254)</u>	<u>(90,254)</u>	<u>(18,234)</u>	<u>72,020</u>
FUND BALANCE - beginning of year	<u>422,661</u>	<u>422,661</u>	<u>435,873</u>	<u>13,212</u>
FUND BALANCE - end of year	<u>\$ 332,407</u>	<u>\$ 332,407</u>	<u>\$ 417,639</u>	<u>\$ 85,232</u>

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

CITY OF SHERWOOD

Sherwood, Oregon

**BROADBAND FUND
RECONCILIATION OF SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

Change in fund balance - budgetary basis	\$ (18,234)
Pension expense	(34,385)
OPEB expense	(2,580)
Depreciation expense	(34,536)
Contributed assets	78,785
Expenditures capitalized	88,088
Change in compensated absences	<u>(8,113)</u>
Change in net position - GAAP basis	<u>\$ 69,025</u>
Fund balance - budgetary basis	\$ 417,639
Net pension liability	(123,025)
OPEB asset	305
OPEB liability	(6,094)
Deferred outflows-Pension	46,099
Deferred outflows-OPEB	424
Deferred inflows-Pension	(4,723)
Deferred inflows-OPEB	(574)
Capital assets	623,717
Compensated absences	(13,468)
Net position - GAAP basis	<u>\$ 940,300</u>

CITY OF SHERWOOD

Sherwood, Oregon

**SCHEDULE OF PROPERTY TAX TRANSACTIONS
YEAR ENDED JUNE 30, 2018**

<u>Tax Year</u>	<u>Uncollected Balances June 30, 2017</u>	<u>2017-18 Levy</u>	<u>Interest, Discounts & Adjustments</u>	<u>Collections</u>	<u>Uncollected Balances June 30, 2018</u>
2017-18	\$ -	\$ 9,814,447	\$ (340,880)	\$ (9,353,878)	\$ 119,689
2016-17	187,604		(4,131)	(83,111)	100,362
2015-16	71,522		1,802	(19,047)	54,277
2014-15	67,976		3,654	(16,871)	54,759
2013-14	53,209		2,246	(12,301)	43,154
2012-13	35,047		153	(759)	34,441
2011-12 & Prior Years	<u>89,046</u>		<u>265</u>	<u>(1,385)</u>	<u>87,926</u>
Total	<u>\$ 504,404</u>	<u>\$ 9,814,447</u>	<u>\$ (336,891)</u>	<u>\$ (9,487,352)</u>	<u>\$ 494,608</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.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how financial performance has changed over time.	89-92
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.	93-96
Debt Capacity 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.	97-100
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment which the City's financial activities take place.	101
Operating Information 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.	102

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**

	2018	2017 as restated	2016 as restated	2015 as restated	2014 as restated	2013	2012	2011	2010	2009
Governmental activities										
Net investment in capital assets	\$ 60,139,362	\$ 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
Restricted	9,904,857	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
Unrestricted	(2,488,303)	(3,401,944)	(1,789,766)	1,903,389	5,056,030	9,119,548	6,412,820	6,315,572	(2,605,639)	(1,620,872)
Total governmental activities net position	<u>67,555,916</u>	<u>66,439,538</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>
Proprietary activities										
Net investment in capital assets	68,338,342	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
Restricted	7,493,636	5,033,233	4,827,309	4,557,700	4,508,411	3,939,196	3,218,306	-	10,501,066	12,792,835
Unrestricted	11,006,498	10,567,943	9,248,463	8,212,156	7,763,528	8,791,167	5,822,184	9,174,948	7,297,289	5,593,909
Total proprietary activities net position	<u>86,838,476</u>	<u>82,696,612</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>
Government-wide activities										
Net investment in capital assets	128,477,704	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
Restricted	17,398,493	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
Unrestricted	8,518,195	7,165,999	7,458,697	10,115,545	12,819,558	17,910,715	12,235,004	15,490,520	4,691,650	3,973,037
Total Government-wide activities net position	<u>\$ 154,394,392</u>	<u>\$ 149,136,150</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>

CITY OF SHERWOOD
Sherwood, Oregon

CHANGE IN NET POSITION
LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Expenses										
Governmental activities:										
Administration	\$ 3,042,785	\$ 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
Community Development	1,928,317	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
Public Safety	4,197,438	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
Community Services	2,395,657	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
Public Works	8,931,365	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
Interest on long-term obligations	563,404	655,929	743,533	817,135	809,553	1,091,076	1,081,817	1,503,754	1,131,451	1,548,302
Total governmental activities	<u>21,058,966</u>	<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>
Proprietary activities:										
Water	4,620,164	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
Sewer	674,672	734,672	918,172	628,522	610,702	549,521	495,249	397,484	456,138	526,200
Storm	1,275,830	1,118,477	1,247,121	875,105	1,094,161	942,614	929,770	985,975	671,150	659,026
Broadband	465,760	351,311	236,319	257,755	253,373	174,794	147,990	130,510	207,628	320,854
Total proprietary activities	<u>7,036,426</u>	<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>
Total Expenses	<u>\$ 28,095,392</u>	<u>\$ 27,978,554</u>	<u>\$ 30,701,436</u>	<u>\$ 23,089,054</u>	<u>\$ 26,596,112</u>	<u>\$ 21,954,449</u>	<u>\$ 19,472,880</u>	<u>\$ 18,791,701</u>	<u>\$ 20,710,558</u>	<u>\$ 20,357,963</u>
Revenues										
Governmental activities:										
Charges for services										
Administration	\$ 1,303,801	\$ 1,333,927	\$ 1,286,213	\$ 1,066,290	\$ 1,126,323	\$ 924,121	\$ 1,281,663	\$ 1,049,985	\$ 613,475	\$ 715,363
Community Development	1,687,818	694,518	580,776	446,008	687,417	535,078	331,001	313,117	263,475	729,620
Public Safety	69,977	10,519	10,062	17,037	8,303	22,655	8,219	15,565	48,975	54,208
Community Services	521,993	442,121	355,560	313,096	335,297	279,359	276,836	272,128	275,851	244,407
Public Works	702,265	747,527	687,514	616,609	632,329	574,717	525,855	43,254	478,161	533,745
Operating grants and contributions	3,369,794	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
Capital grants and contributions	1,652,950	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
General revenues and transfers	12,866,746	11,942,225	10,287,396	10,977,479	11,209,402	10,256,013	10,555,508	12,724,131	11,087,578	8,862,972
Total governmental activities	<u>22,175,344</u>	<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>
Proprietary activities:										
Charges for services										
Water	5,983,630	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
Sewer	680,741	677,284	618,813	599,113	575,710	554,285	523,271	444,953	456,512	329,064
Storm	1,839,189	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
Broadband	447,672	445,468	523,819	487,387	385,288	318,075	310,838	210,792	186,799	151,999
Operating grants and contributions	2,678	1,129	-	-	1,806,566	-	-	45,000	12,000	1,273,556
Capital grants and contributions	1,871,684	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
General revenues, special items, transfers	352,696	(313,665)	182,774	78,211	69,954	77,208	(148,410)	216,741	488,796	1,132,128
Total proprietary activities	<u>11,178,290</u>	<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>
Total Revenues	<u>\$ 33,353,634</u>	<u>\$ 28,763,194</u>	<u>\$ 28,091,895</u>	<u>\$ 31,297,945</u>	<u>\$ 29,582,119</u>	<u>\$ 24,431,336</u>	<u>\$ 26,364,157</u>	<u>\$ 30,710,634</u>	<u>\$ 24,533,545</u>	<u>\$ 24,264,855</u>
Change in Net Position										
Governmental Activities	\$ 1,116,378	\$ (1,711,583)	\$ (4,968,948)	\$ 2,962,873	\$ 1,028,131	\$ 220,956	\$ 3,938,561	\$ 7,645,222	\$ 320,374	\$ (258,333)
Proprietary Activity	4,141,864	2,496,223	2,359,407	5,246,018	1,957,876	2,255,931	2,952,716	4,273,711	3,502,613	4,165,225
Total Net (Expense)/Revenue	<u>\$ 5,258,242</u>	<u>\$ 784,640</u>	<u>\$ (2,609,541)</u>	<u>\$ 8,208,891</u>	<u>\$ 2,986,007</u>	<u>\$ 2,476,887</u>	<u>\$ 6,891,277</u>	<u>\$ 11,918,933</u>	<u>\$ 3,822,987</u>	<u>\$ 3,906,892</u>

CITY OF SHERWOOD
Sherwood, Oregon

GOVERNMENTAL FUND BALANCE
LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Fund:										
Nonspendable	\$ 83,732	\$ 6,201	\$ -	\$ 179,874	\$ 328,233	\$ 475,664	\$ -	\$ -	\$ -	\$ -
Restricted	-	4,274	-	138,653	209,973	176,427	127,704	75,640	-	-
Committed	17,579	12,685	5,107	-	7,230	68,596	3,500	-	-	-
Assigned	99,505	84,870	84,870	343	139	1,261	58,386	54,786	-	-
Unassigned	4,277,612	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
Total General Fund	<u>\$4,478,428</u>	<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>
Street Operations:										
Restricted	<u>\$2,083,695</u>	<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>
Urban Renewal Operations:										
Restricted	<u>\$2,135,138</u>	<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>
Urban Renewal Capital:										
Restricted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 508,904</u>	<u>\$ 3,078,268</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 136,111	\$ -	\$ -	\$ -	\$ -
Restricted	5,728,588	3,820,335	4,077,812	3,138,762	6,317,685	3,714,210	3,706,805	4,656,789	9,532	27,999
Committed	229,283	98,470	118,983	319,008	-	252,812	-	-	-	-
Assigned	32,797	-	-	-	-	244,466	251,383	612,633	-	-
Reserved	-	-	-	-	-	-	-	-	491,087	1,313,132
Unassigned	-	-	(39,503)	(10,615)	-	-	-	-	-	-
Total Other Governmental Funds	<u>\$5,990,668</u>	<u>\$3,918,805</u>	<u>\$4,157,292</u>	<u>\$3,447,155</u>	<u>\$ 6,317,685</u>	<u>\$ 4,347,599</u>	<u>\$ 3,958,188</u>	<u>\$ 5,269,422</u>	<u>\$ 500,619</u>	<u>\$1,341,131</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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues:										
Property Taxes	\$ 9,489,203	\$ 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
Franchises and fees	2,015,911	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
Intergovernmental	3,437,272	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
Charges for services	2,977,299	2,070,123	1,693,715	1,411,682	1,760,618	1,474,026	1,203,285	618,975	819,818	934,562
Infrastructure development fees	1,022,081	765,993	1,426,131	544,726	2,836,246	666,200	233,533	800,843	239,299	1,049,026
Fines and forfeitures	1,245,800	1,158,489	1,226,410	1,047,358	1,029,052	861,904	1,224,727	1,020,855	347,328	454,802
Interest on investments	219,655	129,535	75,823	68,893	77,077	97,290	63,081	57,322	43,515	132,931
Miscellaneous	86,601	45,384	269,342	230,507	260,899	226,069	213,930	364,090	113,006	310,963
Total Revenues	<u>20,493,822</u>	<u>18,965,267</u>	<u>17,774,434</u>	<u>16,890,108</u>	<u>19,575,002</u>	<u>15,875,384</u>	<u>17,912,162</u>	<u>16,629,786</u>	<u>12,665,894</u>	<u>12,058,518</u>
Expenditures:										
Current:										
Administration	2,872,682	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
Community Development	1,803,328	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
Public Safety	3,725,426	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
Community Services	1,923,931	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
Public Works	4,514,484	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
Capital outlay	839,516	1,585,002	1,130,259	6,648,240	3,784,613	3,915,065	8,136,079	4,187,315	1,003,722	-
Debt service - principal	2,485,610	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
Debt service - interest	626,384	724,168	812,523	754,369	821,237	1,219,706	904,713	1,254,359	1,029,976	495,397
Total Expenditures	<u>18,791,361</u>	<u>18,917,397</u>	<u>16,829,919</u>	<u>20,972,948</u>	<u>17,793,987</u>	<u>22,058,623</u>	<u>22,380,834</u>	<u>22,075,928</u>	<u>14,826,473</u>	<u>14,540,746</u>
Excess (Deficiency of Revenues Over Expenditures)	1,702,461	47,870	944,515	(4,082,840)	1,781,015	(6,183,239)	(4,468,672)	(5,446,142)	(2,160,579)	(2,482,228)
Other Financing Sources (Uses)										
Issuance of long-term debt	-	-	-	-	-	5,619,298	4,085,972	4,229,555	1,000,000	6,065,000
Proceeds from capital lease	14,979	-	-	-	-	83,733	80,938	-	-	-
Sale of capital assets	2,124,196	4,793	11,791	204,500	-	533,489	-	-	-	-
Transfers in	1,087,535	102,757	315,074	4,151,500	2,505,726	429,485	895,122	2,889,027	859,338	3,596,098
Transfers out	(1,084,535)	(102,757)	(249,064)	(4,151,500)	(2,505,726)	(423,787)	(677,695)	(302,317)	(556,967)	(4,832,377)
Total Other Financing Sources (Uses)	<u>2,142,175</u>	<u>4,793</u>	<u>77,801</u>	<u>204,500</u>	<u>-</u>	<u>6,242,218</u>	<u>4,384,337</u>	<u>6,816,265</u>	<u>1,302,371</u>	<u>4,828,721</u>
Net change in fund balances	<u>\$ 3,844,636</u>	<u>\$ 52,663</u>	<u>\$ 1,022,316</u>	<u>\$ (3,878,340)</u>	<u>\$ 1,781,015</u>	<u>\$ 58,979</u>	<u>\$ (84,335)</u>	<u>\$ 1,370,123</u>	<u>\$ (858,208)</u>	<u>\$ 2,346,493</u>
Ratio of debt service to non-capital expenditures	17%	23%	18%	19%	19%	45%	29%	32%	24%	27%

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					
2018	\$ 1,819,023,950	\$ 97,514,015	\$ 1,916,537,965	\$ 3,051,188,214	\$ 3.068	62.8 %	\$ 159,373	\$ 220,064,100
2017	1,741,614,730	99,470,069	1,841,084,799	2,776,562,739	3.416	66.3	145,028	217,704,558
2016	1,682,898,700	97,496,399	1,780,395,099	2,525,733,974	3.623	70.5	131,927	96,425,798 (c)
2015	1,585,147,450	99,742,536	1,684,889,986	2,345,831,747	3.457	71.8	122,947	189,942,221
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

(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.

(c) In FY2016 The increment value used by the URA was significantly lower than in other years due to an accounting error.

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	
2018	\$ 2.9189	\$0.1488	\$3.0677	\$ 6.7832	\$ 0.3770	\$ 7.1602	\$ 4.6464	\$ 4.1188	\$ 8.7652	\$18.9931
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

(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	2018			2009		
	Taxable Assessed Value	Rank	Percentage of Total Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Assessed Value
WalMart Stores, Inc	\$27,333,635	1	1.4%	\$ N/A	-	0.0%
MGP X Properties LLC	20,978,980	2	1.1%	N/A	-	0.0%
Big Sunfield Lakes OR LLC	17,716,880	3	0.9%	13,578,560	3	1.0%
Target Corporation	17,416,050	4	0.9%	13,722,905	2	1.0%
Creekview Crossing SPE LLC	14,837,540	5	0.8%	N/A	-	0.0%
Juniper Ridge Investments, LLC	11,913,130	6	0.6%	9,132,440	8	0.7%
Allied Systems Company	11,907,810	7	0.6%	11,137,820	5	0.8%
Portland General Electric Co	11,655,000	8	0.6%	9,546,000	7	0.7%
Comcast Corp	10,417,600	9	0.5%	N/A	-	0.0%
Home Depot USA Inc	10,399,780	10	0.5%	8,997,891	9	0.7%
Retail Property Partners				16,407,930	1	1.2%
Northwest Natural Gas Co				11,098,700	6	0.8%
BMC West Corporation				11,771,635	4	0.9%
Wirkkala Sherwood Property LLC				7,101,190	10	0.5%
	<u>\$154,576,405</u>		<u>8.1%</u>	<u>\$112,495,071</u>		<u>8.2%</u>

Source: Washington County Assessor's records

CITY OF SHERWOOD
Sherwood, Oregon

PROPERTY TAX LEVIES AND COLLECTIONS
LAST SIX FISCAL YEARS

<u>Fiscal Year</u> <u>Ended</u> <u>June 30</u>	<u>Taxes</u> <u>Levied</u>	<u>Current Tax</u> <u>Collections</u>	<u>Percent of</u> <u>Current Taxes</u> <u>Collected</u>	<u>Delinquent Tax</u> <u>Collections/Adj/</u> <u>Discounts/Interest</u>	<u>Total</u> <u>Tax</u> <u>Collections</u>	<u>Outstanding</u> <u>Delinquent</u> <u>Taxes</u>	<u>Ratio of</u> <u>Total Tax</u> <u>Collections to</u> <u>Total Tax Levy</u>
City of Sherwood:							
2018	\$5,904,596	\$5,627,507	95.3%	\$205,081	\$5,832,588	\$ 72,008	98.8%
2017	6,291,785	5,992,483	95.2%	237,084	6,229,567	62,218	99.0%
2016	6,454,287	6,157,490	95.4%	253,995	6,411,485	42,802	99.3%
2015	5,830,966	5,565,047	95.4%	231,923	5,796,970	33,996	99.4%
2014	5,640,111	5,352,760	94.9%	261,817	5,614,577	25,534	99.5%
2013	5,389,489	5,130,153	95.2%	237,820	5,367,973	21,516	99.6%
Prior Yrs						54,132	
Sherwood Urban Renewal Agency:							
2018	\$3,909,851	\$3,726,871	95.3%	\$135,299	\$3,862,170	\$ 47,681	98.8%
2017	3,857,367	3,673,871	95.2%	145,351	3,819,222	38,145	99.0%
2016	1,730,398	1,650,826	95.4%	68,097	1,718,923	11,475	99.3%
2015	3,561,323	3,398,911	95.4%	141,649	3,540,560	20,763	99.4%
2014	3,891,961	3,693,675	94.9%	180,666	3,874,341	17,620	99.5%
2013	3,237,484	3,081,701	95.2%	142,858	3,224,559	12,925	99.6%
Prior Yrs						33,791	

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			Total General Governmental Expenditures	Bonded Debt	Total Debt
2018	\$ 240,000	\$ 31,750	\$ 271,750	\$ 2,245,610	\$ 531,654	\$ 2,777,264	\$ 3,049,014	\$ 18,791,361	1.4%	16.2%	
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%	

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

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

CITY OF SHERWOOD
Sherwood, Oregon

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

Fiscal Year Ended June 30	Population	Assessed Value	Bonded Debt (a)	Less Debt Service Fund	Net Bonded Debt	Governmental Activities Non-bonded Debt (b)	Proprietary Activities Non-bonded Debt (b)	Total Obligation	Ratio of Debt to Assessed Value		Debt Per Capita	
									Net Bonded Debt	Total Obligation	Net Bonded Debt	Total Obligation
2018	19,363	\$ 1,916,537,965	\$ 765,000	\$ 38,176	\$ 726,824	\$ 14,850,069	\$ 20,212,000	\$ 35,788,893	0.04%	1.87%	\$ 38	\$ 1,848
2017	19,350	1,841,084,799	1,005,000	28,563	976,437	17,099,574	21,349,000	39,425,011	0.05%	2.14%	51	2,059
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	20,615,267	22,978,399	46,249,281	0.16%	2.74%	139	2,424
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	18,205	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	2,667
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

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

(b) Non-bonded debt is being repaid from specific sources, including rent of buildings, parks system development charges, and Urban Renewal Agency property tax increment revenue. This includes notes payable and capital leases payable. All notes are full faith and credit obligations of the City.

CITY OF SHERWOOD
Sherwood, Oregon

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2018

<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	\$ 2,229,646	1.00%	\$ 22,296
Northwest Regional ESD	100,459	2.56%	2,572
Port of Portland	556,571	0.92%	5,120
Portland Community College	6,784,654	1.25%	84,808
Tualatin Valley Fire and Rescue District	1,492,697	3.50%	52,244
Washington County	7,747,933	3.16%	244,835
School District 88J	190,345,184	56.93%	108,363,513
Subtotal, overlapping debt			108,775,389
City of Sherwood direct debt			15,835,710
Total direct and overlapping debt			<u>\$ 124,611,099</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, 2018

<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>
2018	\$ 1,916,537,965	63%	\$ 3,051,188,214
Debt limitations (3% of total real market value)			\$ 91,535,646
Outstanding Governmental Activities-General Obligation Debt			<u>765,000</u>
Net debt margin			\$ 90,770,646
Percentage of net debt margin available			<u>99.16%</u>
Percentage of net debt power exhausted			<u>0.84%</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>
2018	\$ 91,535,646	\$ 765,000	\$ 90,770,646	99.16%
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%

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	Per Capita Income Washington County (c)
2018	19,363	2018	3.8%				
2017	19,350	2017	4.2%				
2016	19,145	2016	5.0%				
2015	19,080	2015	5.5%				
2014	18,955	2014	6.2%				
2013	18,575	2013	7.3%				
2012	18,265	2012	8.1%				
2011	18,255	2011	9.1%				
2010	18,205	2010	10.3%	32.1	2.8	\$ 32,525	\$ 30,900
2009	16,700	2009	11.4%				

(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 SIX* YEARS AGO

Employer	2018			2012		
	Employees	Rank	% of Total City Employment	Employees	Rank	% of Total City Employment
Sherwood School District	562	1	13%	528	1	9%
Allied Systems Company	280	2	6%	360	2	6%
WalMart Stores Inc	212	3	5%			
NW Natural	152	4	3%			
Home Depot	148	5	3%	163	3	3%
City of Sherwood	129	6	3%	119	4	2%
Fettig Commercial Construction	125	7	3%	110	6	2%
Kohl's	112	8	3%			
Safeway	112	9	3%	110	5	2%
Treske Precision Machining	105	10	2%			
Target				75	9	1%
Showplace Landscape Services				75	8	1%
Albertson's Food Ctr				81	7	1%
Hardwood Industries, Inc.				67	10	1%

Source: 2018 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, 2018

Date of incorporation 1893
Form of government Council/Manager

	<u>2018</u>	<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>
Number of employees (Full time equivalent)	114	114	112	106	98	95	96	96	94	88
Area in square miles	4.6	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Miles of street	58	55	55	55	55	55	55	50	50	50
Culture and recreation:										
Senior/teen centers	2	2	2	2	2	2	2	2	2	2
Recreation centers	3	3	3	3	2	2	2	2	2	2
Acres of sports fields	55	55	55	55	55	55	55	61	61	61
Acres of maintained passive parks	57	57	57	57	57	57	57	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	4	3
Number of middle and high schools in the City	3	3	3	3	3	3	3	3	3	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**



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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**

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, 2018, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 16, 2018. 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* except for the following:

- The City did not publish proper notice or hold a public hearing as required by ORS 294.471 and 294.473 prior to adopting a budget amendment that lowered appropriations for the General Construction Fund by more than 10 percent.



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**NDEPENDENT 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)**

Page 2

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 not identify any deficiencies in internal control that we consider to be material weaknesses, however we did identify a deficiency in internal control that we consider to be a significant deficiency and have communicated it in a separate letter to management dated November 16, 2018.

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.

A handwritten signature in blue ink that reads "Talbot, Kowola & Warwick LLP". The signature is written in a cursive, flowing style.

Lake Oswego, Oregon
November 16, 2018