



Home of the Tualatin River National Wildlife Refuge

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2021

CITY OF SHERWOOD

Sherwood, Oregon

Annual Comprehensive Financial Report

Year Ended June 30, 2021

Prepared by

City of Sherwood

Finance Department

CITY OF SHERWOOD

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CITY OF SHERWOOD

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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

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INTRODUCTORY SECTION



Home of the Tualatin River National Wildlife Refuge

City of Sherwood
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Sherwood, OR 97140
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Mayor
Keith Mays

Council President
Tim Rosener

Councilors
Renee Brouse
Sean Garland
Russell Griffin
Jennifer Kuiper
Doug Scott
Kim Young

City Manager
Joseph Gall, ICMA-CM

March 17, 2022

Citizens of Sherwood
Honorable Mayor
Members of the City Council

It is our pleasure to present you with the Fiscal Year 2021 Annual Comprehensive Financial Report (ACFR). This report documents the financial position of the City as of June 30, 2021 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 Annual Comprehensive Financial Report of the City of Sherwood for the fiscal year ended June 30, 2021. This report is statutorily required to be completed within six months of the end of the fiscal year unless an extension is authorized.

This ACFR 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 ACFR.

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

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

This report is the eleventh 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, 2021. 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 19,885 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 ACFR. The Agency has completed all planned projects. The Agency uses tax increment revenues as their sole funding source and has outstanding debt which is anticipated to be paid off in fiscal year 2022-23. The URA will shut down shortly after the debt is paid off and all remaining assets will transfer to the City of Sherwood.

On May 18th 2021, City Council approved the Sherwood 2021 Urban Renewal Plan. This Agency had no fiscal activity for the year. This Agency will also use tax increment revenues as their sole funding source. Collections of this revenue will not begin until fiscal year 2022-23.

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.

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. 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.

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 has been able to remain fiscally strong due to stable property tax revenues and responsible fiscal management. Development has continued to increase 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. 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 \$103,512. This is 64.8% higher than the state MHI at \$62,818 and 25.9% higher than Washington County at \$82,215. Sherwood is considered one of the more affluent communities in the State and is in the top 10 cities for household income in the State of Oregon. The income bracket of greater than \$100,000 accounts for 20.5% of the households.

Top 10 Property Owners Based on FY20-21 Assessed Value (In Thousands of Dollars)		
Taxpayer	Assessed Value	Percentage of Total Assessed Value
WalMart Stores, Inc	\$30,401	1.4%
Portland General Electric	30,059	1.4%
MGP X Properties LLC	22,809	1.0%
Big Sunfield Lakes OR, LLE	19,360	0.9%
Target Corporation	18,879	0.9%
Creekview Crossing SPE, LLC	16,213	0.7%
Sherwood Senior Living, LLC	15,541	0.7%
Allied Systems Company	13,182	0.6%
Tacke LLC & LAF LLC	13,134	0.6%
Northwest Natural Gas Co	12,818	0.6%
Total	<u>\$ 192,396</u>	<u>8.7%</u>
Source: Washington County Assessment and Taxation		

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

CURRENT ECONOMIC DEVELOPMENT ACTIVITIES

The City of Sherwood is located in one of the most prosperous counties in Oregon and is poised for continued commercial, industrial and residential growth. Sherwood has the land and the infrastructure to serve commercial and industrial growth. The completion of 124th Avenue in December 2018 provides increased freight access to Interstate 5 and other important transportation links

Industrial Growth:

Tonquin Employment Area (TEA): The City is experiencing strong economic development activity in the Tonquin Employment Area which is a key employment development area within the Sherwood East Manufacturing/Industrial Corridor. This is an approximately 296 acre area within the City of Sherwood Urban Growth Boundary (UGB) that is being actively marketed by the City, industrial park developers, and leading industrial brokers. At present the Trammell Crow Company is constructing the new Tualatin-Sherwood Corporate Park on a nearly 50 acre site located at the southwest corner of SW Tualatin-Sherwood Road and SW 124th Avenue. The project consists of 3 new speculative industrial buildings containing approximately 478,300 square feet. Although the project is currently under construction, there is already strong leasing interest in these buildings since the Greater Portland Region experiences an extremely low industrial vacancy rate and the metro area lacks a sufficient supply of industrial land to accommodate new employment growth. The Willamette Water Supply Project will be constructing a water treatment plant including 219,000 square feet of building area to the south of the Tualatin Sherwood Corporate Park, adjacent to SW 124th. Harsh Investment Properties is currently planning the development of nearly 1,000,000 square feet of new speculative multi-tenant business park space consisting of 6 new buildings in their Sherwood Commerce Center project to be located on the east side of SW Oregon Street, immediately south of Tualatin-Sherwood Road. Once completed the project could house up to 40 businesses. Harsch has submitted their Phase I application to the City for the first 478,000 square feet of this project (first 3 buildings) which is currently being scheduled for approval by the Planning Commission in early 2022. Another property owner has submitted a land use application to the City for the development of the new Oregon Street Business Park to be located at the corner of SW Tonquin Road and SW Oregon Street. This project would consist of approximately 128,000 square feet of multi-tenant industrial space on nearly 10 acres. The property was annexed in 2021. The application is being scheduled for action by the Planning Commission. Kerr Construction has obtained City approval for a grading site plan for the nearly 30 acre future industrial park project referred to as the Sherwood Industrial Center to be located on the easterly side of Tonquin Road, just south of Oregon Street. They are currently working on a joint venture agreement with a leading national business park developer for the development of approximately 400,000 SF of new industrial product. In addition, early interest is being expressed by developers for the construction of additional industrial park projects along the Dahlke Lane industrial area in the TEA. The start of a new east/west collector street known as Ice Age Drive and of Tonquin Court is needed in order to open up the TEA to further industrial development.

Cipole Industrial Park. The Cipole Industrial Park was recently completed and consists of 3 new speculative industrial buildings located on Tualatin-Sherwood Road between SW Wildrose Place and SW Cipole Road. The structures are 34,450 SF, 92,400 sf, and 108,200 sf, and provide spaces for new industrial uses. It should be noted that all of the structures were leased or sold immediately to end-use companies – this early 100 percent occupancy

reflects the very strong industrial market in Sherwood and the current lack of available spaces in the community and region.

New Businesses: New tenant spaces in the community include the expansion of Lam Research, a Silicon Valley- based tech company, which has leased nearly 50,000 square feet in the Cipole Industrial Park for the manufacturing of semiconductor equipment. The expansion of Lam Research into Sherwood represents the first new high-tech company to locate in the city. Other companies which have chosen the Cipole Industrial Park are FedEx, Ironman 4x4 America which is an Australian-based company that has selected this site for their North America headquarters and production facility, and a major expansion by Hardwood Industries. Some other businesses which have located in Sherwood in 2021 are Joe's Burgers, Sophia's Café, Crumbl Cookies, Cabinet Cures expansion, Benchmark Physical Therapy, Sherwood Family Pet Clinic expansion (under construction), Meadowlark Mercantile, Senestraro office building (under construction) Taco Time, and Barking Frog Winery, among many others.

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. Three subdivisions within the Brookman area have been approved within the last two years, with a total of 234 lots for single-family development. In addition, three Planned Unit Developments within the Southeast Sherwood area have been approved for a total of 61 lots for single-family residential development. There is continued interest in Old Town for both commercial and residential development and a new five unit live/work project is approved at the corner of SW Pine and 2nd Streets.

Sherwood High School: The new high school was completed in 2021. The site includes a new 342,131 square foot high school and associated facilities, including parking, sports fields, and various outbuildings on roughly 70 acres on SW Elwert between SW Kruger and SW Haide Road.

PGE Training Facility: PGE is completing construction of a new lineman training facility that will consist of an approximately 15,695 square foot training building and an associated outdoor training facility.

Sherwood West Expansion Area: Sherwood West contains 1,291 acres currently in the Urban Reserve but which is slated to be included in the City's Urban Growth Boundary. Sherwood West is logically the best direction for the City to consider growth in the future. It is located near existing City infrastructure and adjacent to the city boundary. The current preliminary Concept Plan for Sherwood West adopted by the City Council in 2016 designated most of the area for the development of new housing subdivisions. The City Council has since prioritized employment growth as an important goal to help Sherwood to achieve a balance of housing options and job opportunities. As a result, work has begun on the Sherwood West Concept Plan Update for this area which will address land use and growth patterns, transportation, natural resources and economic growth. The update is expected to be complete by summer 2022.

2021 Sherwood Urban Renewal Area: The Sherwood City Council adopted the new 2021 Sherwood Urban Renewal Plan in May 2021, following an extensive public input process. The purpose of the Urban Renewal Plan is to improve specific areas of the city which are poorly developed or underdeveloped by constructing infrastructure such as streets, utilities and other public facilities needed to spur economic development and other community improvement

needs which could not otherwise be funded. Urban renewal is funded by tax increment financing and does not establish any new taxes on residents, property owners or business owners.

CRITICAL FINANCIAL INFORMATION

Budget: The total City budget for Fiscal Year 2021 (FY21) is \$76.6 million. Only \$17.9 million (23.4%) of the revenue supporting the budget is available for general purposes. The remaining portion of the budget (\$58.7 million) is constrained by statute or loan covenants to specific purposes, primarily infrastructure construction and maintenance.

Debt: As of June 30, 2021, the City had outstanding notes payable of \$22.4 million, and outstanding capital leases of \$0.15 million. Total debt was \$25.4 million. The notes payable debt as well as leases payable are repaid from tax increment financing and utility user fees. In October of 2017, 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 Portland Oregon, conducted the audit for the fiscal year ending June 30, 2021. 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 Annual Comprehensive Financial Report for the fiscal year ended June 30, 2020. This was the ninth 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 Annual Comprehensive Financial Report. 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 Annual Comprehensive Financial Report 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 2020-21. This was the 19th 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 "Keith D. Campbell".

Keith D. Campbell
City Manager

A handwritten signature in black ink, appearing to read "David Bodway III".

David Bodway III, Executive MPA
Finance Director



Government Finance Officers Association

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

Presented to

**City of Sherwood
Oregon**

For its Annual Comprehensive
Financial Report
for the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

2021 CITY OF SHERWOOD

CITY OFFICIALS JUNE 30, 2021

ELECTED OFFICIALS

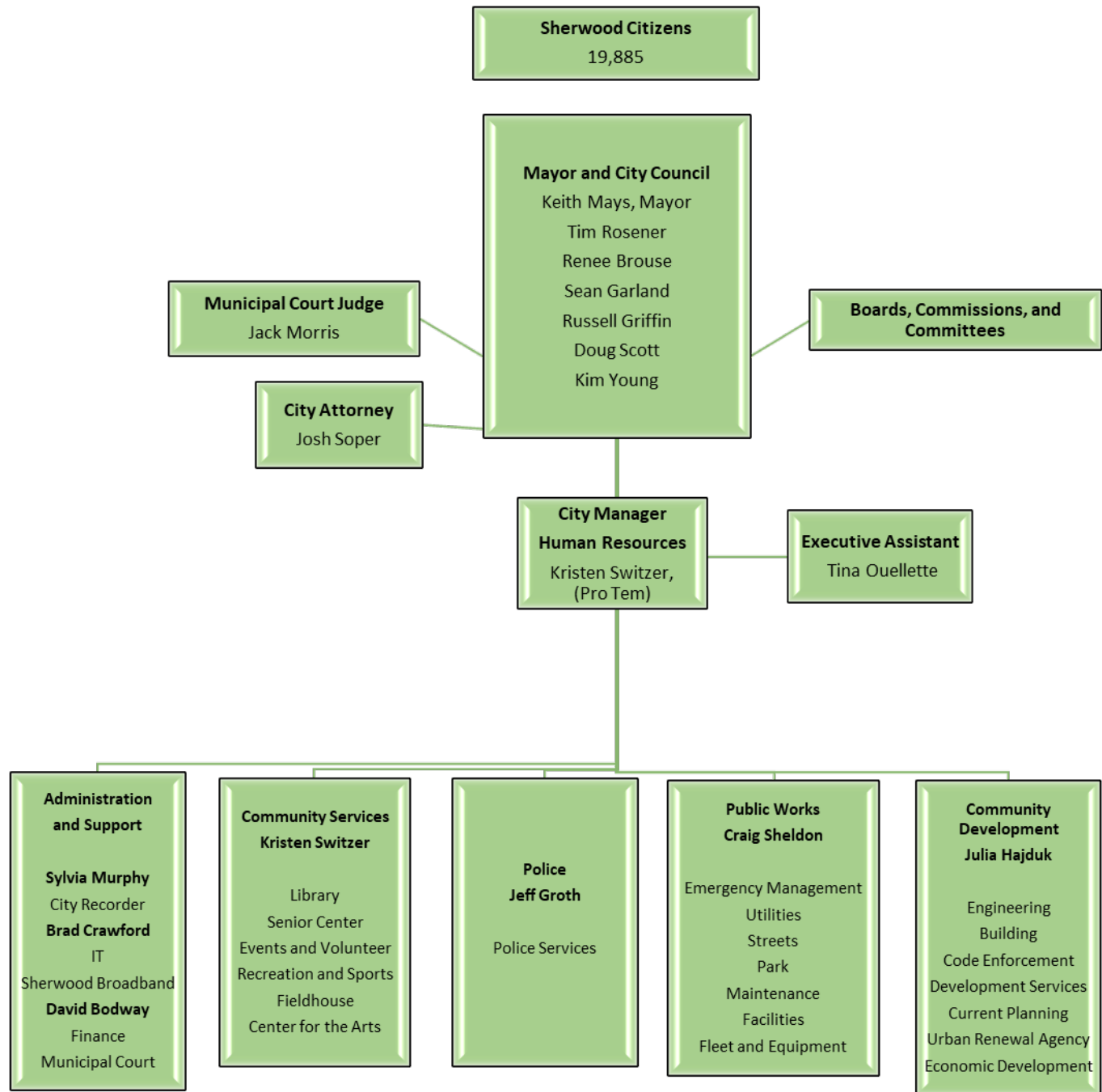
Name	Term Expires
Mayor Keith Mays	January 2023
Councilor Tim Rosener	January 2023
Councilor Renee Brouse	January 2025
Councilor Sean Garland	January 2025
Councilor Russell Griffin	January 2023
Councilor Doug Scott	January 2023
Councilor Kim Young	January 2025

PRINCIPAL ADMINISTRATIVE OFFICIALS

Name	Title
Kristen Switzer	City Manager, Pro Tem
David Bodway III, Executive MPA	Finance Director
Josh Soper	City Attorney

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

2021 CITY OF SHERWOOD ORGANIZATION CHART



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT



Talbot, Korvola & Warwick, LLP 14945 SW Sequoia Parkway, Suite 150, Portland, Oregon 97224
P 503.274.2849 F 503.274.2853 www.tkw.com

INDEPENDENT AUDITOR'S REPORT

City Council
City of Sherwood
Sherwood, Oregon

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sherwood, Oregon (the City), as of and for the year ended June 30, 2021, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (Continued)

City Council
City of Sherwood
Page 2

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 Net 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as 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, and the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

INDEPENDENT AUDITOR'S REPORT (Continued)

City Council
City of Sherwood
Page 3

OTHER MATTERS (Continued)

Other Supplementary Information (Continued)

The Other Supplementary Information and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information and Schedule of Expenditures of Federal Awards are 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.

REPORTS ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2022 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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 March 17, 2022 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

Portland, Oregon
March 17, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF SHERWOOD, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2021

This section of the City of Sherwood's Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2021 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, 2021 (FY21). 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 FY21 by \$171.8 million (net position). Of this amount, \$12.4 million may be used to meet the City's ongoing obligations to its citizens and creditors (unrestricted net position).
- Current assets were \$46.7 million at the end of FY21. Of that amount, \$43.1 million (92.3%) of current assets were in cash and investments. Sherwood's current assets increased by \$0.8 million (1.7%) during FY21. This is due to prudent fiscal management and increases in receipts related to development.
- Sherwood had capital and long-term assets (net of depreciation) of \$166.3 million at the end of FY21. Sherwood's capital and long-term assets increased by \$2.8 million during FY21. The primary reasons for the change is on-going projects, broadband expansion and completion of several recent capital asset additions.

At the Consolidated Fund Level

- In the aggregate, the governmental funds' ending fund balance was \$18.3 million, an increase of approximately \$1.7 million (9.5%) for the fiscal year.
- In the aggregate, the proprietary funds' ending fund balance equivalent, *Net Position*, was \$100.0 million, an increase of \$4.1 million (4.3%), for the fiscal year.
- Total property tax revenue was \$9.7 million, essentially unchanged from FY20 levels.

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, 2021

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, 2021.

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, 2021**

2. OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Statement of Net Position

Table 1 shows that the City's total net position increased from \$166.4 million to \$171.8 million during FY21. This was an increase of \$5.4 million or 3.2%.

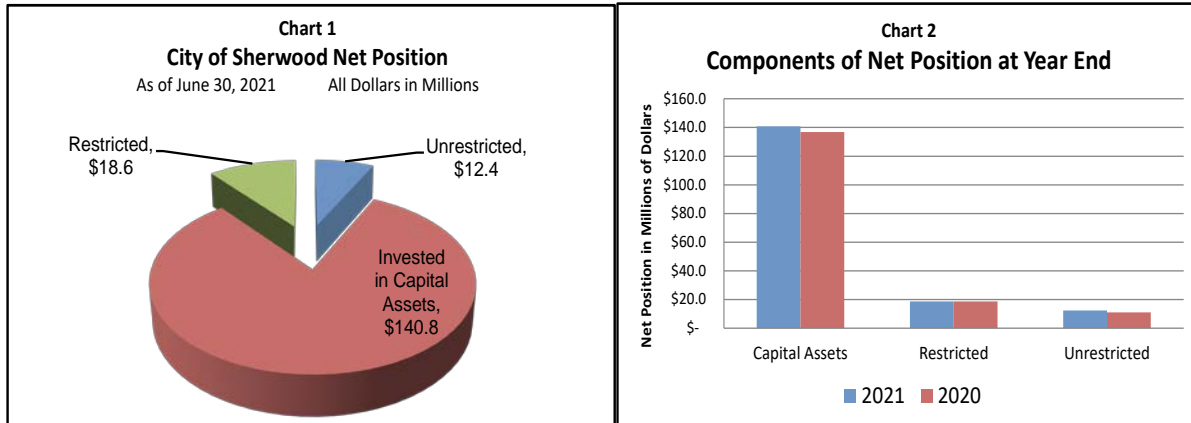
Table 1 Sherwood's Net Position At Fiscal Year End (June 30, 2021 and 2020) <i>In Millions of Dollars</i>						
	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
ASSETS:						
Current assets	\$ 19.9	\$ 18.4	\$ 26.8	\$ 27.5	\$ 46.7	\$ 45.9
Long-term assets	0.1	0.1	1.1	0.7	1.2	0.8
Capital assets	70.3	74.1	94.8	91.3	165.1	162.7
TOTAL ASSETS	90.3	89.9	122.7	119.4	213.0	209.4
DEFERRED OUTFLOWS:	5.3	4.5	0.9	0.7	6.2	5.2
LIABILITIES:						
Current liabilities	2.7	4.1	3.1	2.9	5.7	7.0
Long-term liabilities	20.3	19.0	20.4	21.1	40.6	40.1
TOTAL LIABILITIES	22.9	23.0	23.4	24.1	46.3	47.1
DEFERRED INFLOWS:	0.9	0.9	0.2	0.1	1.1	1.0
NET POSITION:						
Invested in capital assets	65.0	63.8	75.8	73.0	140.8	136.8
Restricted	9.4	10.9	9.2	7.7	18.6	18.6
Unrestricted	(2.6)	(4.2)	15.0	15.2	12.4	11.0
TOTAL NET POSITION	\$ 71.8	\$ 70.5	\$ 100.0	\$ 95.9	\$ 171.8	\$ 166.4

As Chart 1 on the next page shows, the City's net investment in capital assets accounts for the majority of the City's net position. The City has invested \$140.9 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 (\$16.8 million) relates to amounts that are legally restricted for specific future obligations. Unrestricted net position (\$14.1 million) is available to meet the City's on-going obligations.

CITY OF SHERWOOD, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2021

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 2021 and 2020. This information is broken into Governmental Activities and Proprietary Activities. Revenues and expenses are segregated by general categories (revenues) and programs (expenses). Highlights of increases and decreases of the year are as follows.

Governmental Activities

- Revenue increased by a net of \$1.8 million (7.7%) primarily due to the increase in Federal Cares Act Funding due to the COVID-19 pandemic. Total expenses increased \$0.8 million (3.4%) in FY21 mainly in response to the needs of the community during the COVID-19 pandemic.

Proprietary Activities

- Overall revenue decreased from the prior year by \$0.1 million (1.0%).
 - Charges for services increased by \$0.7 million (7.4%) mainly due to an increase in utility rate payer revenue.
 - Capital contributions decreased by \$0.5 million (25.0%) due to decreased development activity resulting in decreased System Development Charges (SDCs).
- Expenses decreased by \$0.1 million (1.2%) in FY21 due to the response to the COVID-19 pandemic and the need to limit some operations.

CITY OF SHERWOOD, OREGON

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

2. OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Table 2						
Statement of Activities						
For the Fiscal Years Ending (June 30, 2021 and 2020)						
<i>In Millions of Dollars</i>						
	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
<u>Program Revenues</u>						
Charges for services	\$ 5.1	\$ 4.7	\$ 10.1	\$ 9.4	\$ 15.2	\$ 14.1
Operating grants/contributions	6.1	3.9	0.5	0.5	6.6	4.4
Capital grants/contributions	2.0	2.5	1.5	2.0	3.4	4.5
<u>General revenues</u>						
Property taxes	9.7	9.7	-	-	9.7	9.7
Franchise fees	2.1	2.1	-	-	2.1	2.1
Other general revenue	0.2	0.5	0.2	0.6	0.4	1.1
Total revenues	<u>25.2</u>	<u>23.4</u>	<u>12.3</u>	<u>12.4</u>	<u>37.5</u>	<u>35.8</u>
Expenses						
<u>Governmental Activities</u>						
Administration	3.0	3.5	-	-	3.0	3.5
Community development	3.3	2.5	-	-	3.3	2.5
Public safety	5.5	5.0	-	-	5.5	5.0
Community services	2.9	3.2	-	-	2.9	3.2
Public works	9.1	8.7	-	-	9.1	8.7
Interest on long-term debt	0.2	0.4	-	-	0.2	0.4
<u>Business-Type Activities</u>						
Water	-	-	4.4	4.5	4.4	4.5
Sanitary	-	-	0.9	0.8	0.9	0.8
Storm	-	-	1.3	1.4	1.3	1.4
Broadband	-	-	1.5	1.6	1.5	1.6
Total expenses	<u>24.0</u>	<u>23.2</u>	<u>8.2</u>	<u>8.3</u>	<u>32.2</u>	<u>31.6</u>
Change in net position	1.3	0.1	4.1	4.1	5.3	4.2
Beginning Net Position	70.5	70.4	95.9	92.0	166.4	162.2
Ending Net Position	\$ 71.8	\$ 70.5	\$ 100.0	\$ 95.9	\$ 171.8	\$ 166.4

CITY OF SHERWOOD, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2021

3. FINANCIAL ANALYSIS OF THE CITY'S FUNDS

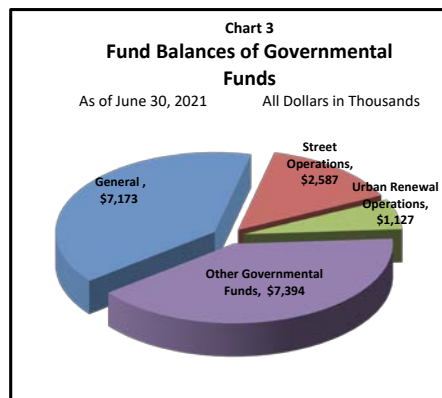
The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and accounting standards. While there are numerous ways of categorizing funds, for simplicity sake, this report will continue the format initiated above, using the *Governmental* activities and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

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 \$1.6 million (9.6%).

Table 3 Governmental Funds: Changes in Fund Balance Fiscal Year 2021 <i>On a Modified Accrual Basis - In Thousands of Dollars</i>					
	General	Street Operations	Urban Renewal Operations	Other Governmental Funds	Totals
Beginning Fund Balances	\$ 5,325	\$ 2,806	\$ 701	\$ 7,862	\$ 16,694
Change in Fund Balances	1,848	(219)	426	(468)	1,587
Ending Fund Balances June 30, 2021	\$ 7,173	\$ 2,587	\$ 1,127	\$ 7,394	\$ 18,281



- The General Fund increased 34.7% due to Federal Cares Act Funding due to the COVID-19 pandemic.
- The Street Operations Fund decreased by 7.8% due mainly to limited construction activity in FY20. In this fund, revenue is generated and spent on projects, but not necessarily in the same fiscal year. It is normal for operations to fluctuate year over year.

CITY OF SHERWOOD, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2021

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

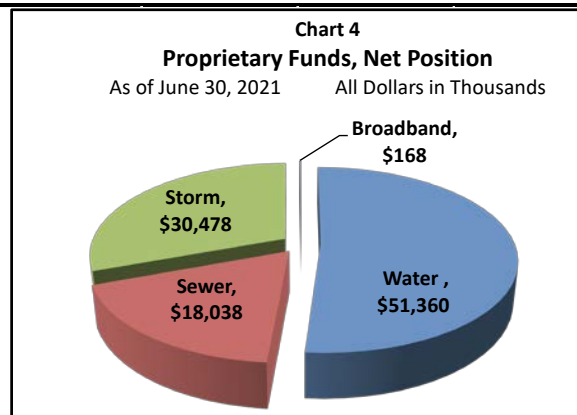
Governmental Funds in Total (Continued)

- The Urban Renewal Operations fund increased 60.8%. Prior fiscal year there was a large expenditure for the early retirement of one loan. Remaining revenues will be used to pay off debt until the debt can be paid off in full.
- The Street Capital Fund, which is a non-major fund included in Other Governmental Funds, decreased \$0.7 million (11.5%) from funds transferred for the Cedar Creek Trail Project.

Proprietary Funds

Table 4 and Chart 4 show that ending net position for the proprietary funds was \$100.0 million, \$4.1 million (4.3%) higher than last year.

Table 4 Proprietary Funds, Changes in Net Position Fiscal Year 2021					
<i>On an Accrual Basis</i>			<i>In Thousands of Dollars</i>		
	Water	Sewer	Storm	Broadband	Totals
Beginning Net Position	\$ 48,567	\$ 17,600	\$ 29,321	\$ 463	\$ 95,951
Change in Net Position	2,794	438	1,157	(296)	4,093
Net Position June 30, 2021	\$ 51,360	\$ 18,038	\$ 30,478	\$ 168	\$ 100,044



- Water – increase due to revenue from utility rates while capital activity remains 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 – decreased due to infrastructure development costs for the planned expansion of broadband services within the City.

CITY OF SHERWOOD, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2021

4. GENERAL FUND BUDGETARY HIGHLIGHTS

Original Budget Compared to Final Budget. The General Fund budgetary schedule (on page 66) shows that during the year City Council approved appropriation transfers resulting in a net increase in expenditure appropriations of \$707,308.

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 \$0.2 million under budget due mainly to fines and forfeitures coming in under budget as a result of the COVID-19 pandemic and less drivers on the road.
- Expenditures were carefully controlled in all divisions which led to about \$1.1 million in savings.
- Contingency budget of \$0.8 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 \$70.3 million in FY21. This was a decrease of \$1.1 million (1.5%).

Table 5 Government Wide Capital Assets Net of Depreciation For the Fiscal Years Ending (June 30, 2021 and 2020) In Millions of Dollars						
	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 12.5	\$ 12.5	\$ 0.2	\$ 0.2	\$ 12.8	\$ 12.7
Intangibles	7.1	6.5	3.8	3.6	11.0	10.1
Construction In Progress	4.5	1.8	3.8	1.7	8.4	3.5
Infrastructure	21.8	24.5	86.2	85.0	108.1	109.5
Buildings & Improvements	22.9	24.7	0.0	0.0	22.9	24.7
Machinery and Equipment	0.5	0.6	0.6	0.7	1.1	1.3
Vehicles	0.9	0.8	0.1	0.1	1.0	0.9
Total Capital Assets	\$ 70.3	\$ 71.4	\$ 94.8	\$ 91.2	\$ 165.2	\$ 162.6
Accumulated Depreciation	\$ 85.7	\$ 80.4	\$ 19.2	\$ 17.9	\$ 104.9	\$ 98.3

CITY OF SHERWOOD, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2021

5. CAPITAL ASSETS (Continued)

Major changes to capital assets, net of depreciation expense are as follows:

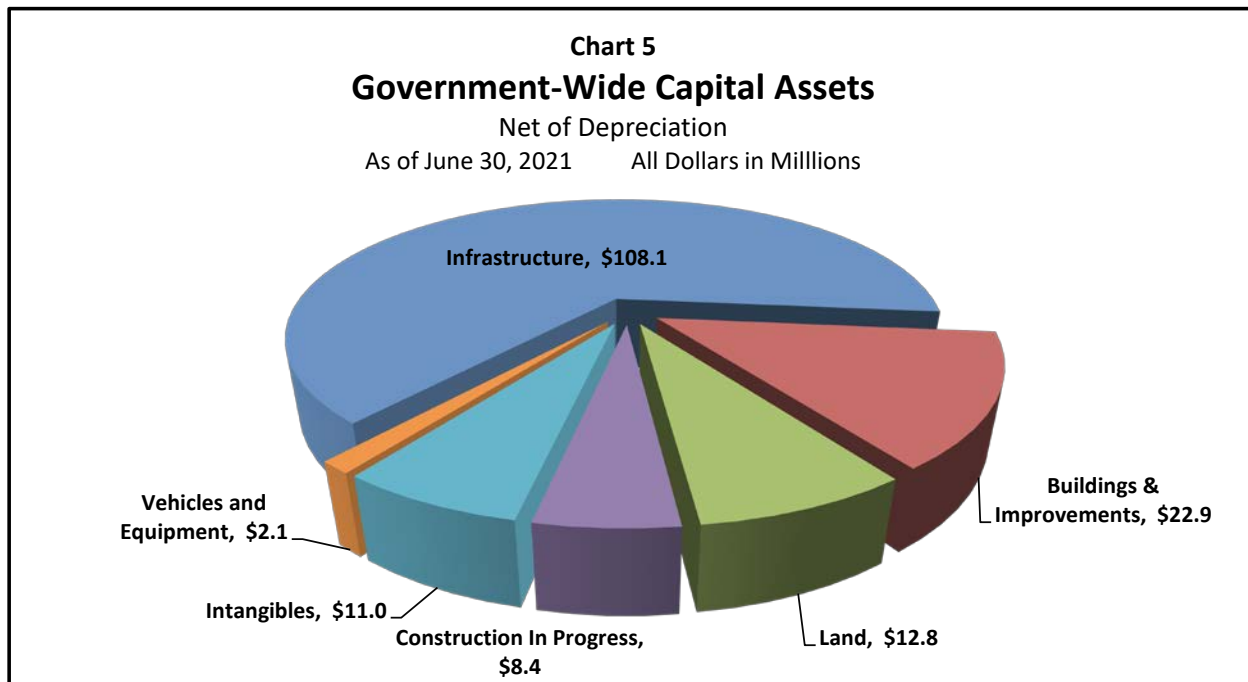
Governmental Activities:

- CWIP Infrastructure: (\$2.9 million)
- Contributed infrastructure from private developers: \$1.0 million
- Vehicles: \$0.3

Proprietary Activities:

- Water, Storm water and Broadband improvements: \$3.5 million
- Contributed infrastructure from private developers: \$1.1 million

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



CITY OF SHERWOOD, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2021

6. DEBT OUTSTANDING

On June 30, 2021, the City had long term debt obligations of \$24.3 million. Of this amount, \$5.3 million will be serviced by tax increment revenues and \$18.9 million is categorized as full faith and credit obligations but is being serviced from utility rate revenue.

During the fiscal year, the City refinanced one debt issuance in order to take advantage of low interest rates. In doing so, the expected savings over the life of the loan is a little more than \$2.8 million.

Outstanding debt decreased by the principal payments made on debt in FY21. Additional information regarding the City's long-term obligations may be found in Note II.F. of the Notes to Basic Financial Statements.

Table 6						
Outstanding Debt at Fiscal Year End						
For the Fiscal Years Ending (June 30, 2021 and 2020)						
<i>In Millions of Dollars</i>						
	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Full Faith and Credit	\$ -	\$ -	\$18.92	\$ 20.10	\$18.92	\$ 20.10
General Obligation Bonds	-	0.27	-	-	-	0.27
Tax Increment Revenue	5.25	7.38	-	-	5.25	7.38
Capital Leases	-	0.02	0.15	0.19	0.15	0.21
Total Outstanding Debt	\$ 5.25	\$ 7.67	\$19.08	\$ 20.29	\$24.33	\$ 27.96

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 developments will contribute to increased property tax revenues but likely this will not be reflected for another year. 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.

CITY OF SHERWOOD, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2021

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (CONTINUED)

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 due to costs of merit increases and cost-of-living adjustments. Several new positions have been initiated in this budget cycle and are likely to offset any significant cost savings from last year's personnel reduction.

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 David Bodway, Finance Director, at 22560 SW Pine Street, Sherwood Oregon, 97140; (503) 625-4248; or BodwayD@SherwoodOregon.gov.

BASIC FINANCIAL STATEMENTS

CITY OF SHERWOOD
Sherwood, Oregon

STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Current assets:			
Cash and investments	\$ 17,537,174	\$ 25,592,104	\$ 43,129,278
Internal balances	769,893	(769,893)	-
Receivables, net	1,473,163	1,993,631	3,466,794
Prepays	109,604	12,297	121,901
Total current assets	<u>19,889,834</u>	<u>26,828,139</u>	<u>46,717,973</u>
Noncurrent assets:			
Investment in joint ventures	-	1,046,756	1,046,756
Net other post employment benefits asset	72,232	14,423	86,655
Capital assets:			
Land, improvements and construction in progress	24,219,021	7,924,430	32,143,451
Other capital assets, net	46,099,571	86,918,900	133,018,471
Total noncurrent assets	<u>70,390,824</u>	<u>95,904,509</u>	<u>166,295,333</u>
TOTAL ASSETS	<u>90,280,658</u>	<u>122,732,648</u>	<u>213,013,306</u>
DEFERRED OUTFLOWS			
Pension	5,209,789	870,002	6,079,791
Other Post Employment Benefits	87,595	17,490	105,085
TOTAL DEFERRED OUTFLOWS	<u>5,297,384</u>	<u>887,492</u>	<u>6,184,876</u>
LIABILITIES:			
Current liabilities:			
Accounts payable and other current liabilities	960,777	1,497,025	2,457,802
Payroll payable	526,950	89,484	616,434
Accrued interest	17,222	43,416	60,638
Current portion of long-term obligations	1,153,061	1,428,676	2,581,737
Total current liabilities	<u>2,658,010</u>	<u>3,058,601</u>	<u>5,716,611</u>
Noncurrent liabilities:			
Net pension liability	14,736,634	2,460,928	17,197,562
Total other post employment benefits obligation	562,212	112,257	674,469
Noncurrent portion of long-term obligations	4,965,551	17,791,682	22,757,233
Total noncurrent liabilities	<u>20,264,397</u>	<u>20,364,867</u>	<u>40,629,264</u>
TOTAL LIABILITIES	<u>22,922,407</u>	<u>23,423,468</u>	<u>46,345,875</u>
DEFERRED INFLOWS			
Pension	830,463	138,682	969,145
Other post employment benefits	68,507	13,719	82,226
TOTAL DEFERRED INFLOWS	<u>898,970</u>	<u>152,401</u>	<u>1,051,371</u>
NET POSITION:			
Net investment in capital assets	65,022,662	75,777,881	140,800,543
Restricted for:			
Capital assets	5,355,557	9,272,975	14,628,532
Street and roadside maintenance	2,586,771	-	2,586,771
Urban renewal projects	1,127,198	-	1,127,198
Debt service	78,688	-	78,688
Tourism	70,847	-	70,847
OPEB Asset	72,232	14,423	86,655
Unrestricted (Deficit)	<u>(2,557,290)</u>	<u>14,978,992</u>	<u>12,421,702</u>
TOTAL NET POSITION	<u>\$ 71,756,665</u>	<u>\$ 100,044,271</u>	<u>\$ 171,800,936</u>

See notes to basic financial statements

CITY OF SHERWOOD
Sherwood, Oregon

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

	Program Revenues				Net Revenue (Expense) and Change in Net Position		
ACTIVITIES	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
Administration	\$ 2,958,468	\$ 2,199,303	\$ 2,380,073	\$ (21,766)	\$ 1,599,142	\$ -	\$ 1,599,142
Community Development	3,262,758	1,810,672	753,330	196,205	(502,551)	-	(502,551)
Public Safety	5,513,147	7,754	428	-	(5,504,965)	-	(5,504,965)
Community Services	2,946,844	267,460	957,864	-	(1,721,520)	-	(1,721,520)
Public Works	9,086,977	827,520	2,034,314	1,791,777	(4,433,366)	-	(4,433,366)
Interest on long-term obligations	214,914	-	-	-	(214,914)	-	(214,914)
Total governmental activities	23,983,108	5,112,709	6,126,009	1,966,216	(10,778,174)	-	(10,778,175)
Business-Type activities:							
Water	4,401,772	6,402,114	-	656,121	-	2,656,463	2,656,463
Sewer	908,360	785,373	138,029	390,723	-	405,765	405,765
Storm	1,341,195	2,116,224	16	331,325	-	1,106,370	1,106,370
Broadband	1,517,041	769,744	346,856	100,750	-	(299,691)	(299,691)
Total business-type activities	8,168,368	10,073,455	484,901	1,478,919	-	3,868,907	3,868,907
Total	\$ 32,151,476	\$ 15,186,164	\$ 6,610,910	\$ 3,445,135	(10,778,174)	3,868,907	(6,909,268)
GENERAL REVENUES							
Property taxes					9,696,846	-	9,696,846
Franchise taxes and fees					2,141,407	-	2,141,407
Unrestricted interest earnings					154,065	224,488	378,553
Miscellaneous					42,415	-	42,415
TOTAL GENERAL REVENUES					12,034,733	224,488	12,259,221
CHANGE IN NET POSITION							
					1,256,559	4,093,395	5,349,953
NET POSITION, June 30, 2020					70,500,106	95,950,876	166,450,982
NET POSITION, June 30, 2021					\$ 71,756,665	\$ 100,044,271	\$ 171,800,936

See notes to basic financial statements

CITY OF SHERWOOD

Sherwood, Oregon

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2021

	General Fund	Street Operations Fund	Urban Renewal Operations Fund	Other Nonmajor Governmental Funds	Totals
ASSETS:					
Cash and investments	\$ 6,522,471	\$ 2,548,776	\$ 1,108,202	\$ 7,357,725	\$ 17,537,174
Due from other funds	769,893	-	-	-	769,893
Receivables	1,136,092	228,868	59,113	49,090	1,473,163
Prepays	109,604	-	-	-	109,604
TOTAL ASSETS	\$ 8,538,060	\$ 2,777,644	\$ 1,167,315	\$ 7,406,815	\$ 19,889,834
LIABILITIES:					
Accounts payable	\$ 609,550	\$ 144,307	\$ 417	\$ 2,571	\$ 756,845
Payroll payable	496,969	23,108	919	5,954	526,950
Other current liabilities	180,474	23,458	-	-	203,932
TOTAL LIABILITIES	1,286,993	190,873	1,336	8,525	1,487,727
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	78,017	-	38,781	3,895	120,693
TOTAL DEFERRED INFLOWS OF RESOURCES	78,017	-	38,781	3,895	120,693
FUND BALANCES:					
Nonspendable in form	109,604	-	-	-	109,604
Restricted for:					
Capital Projects	-	-	-	5,355,557	5,355,557
Street Maintenance	-	2,586,771	-	-	2,586,771
Urban Renewal Projects	-	-	1,127,198	-	1,127,198
Tourism	-	-	-	70,847	70,847
Debt Service	-	-	-	78,688	78,688
Committed to:					
Capital Projects	-	-	-	448,159	448,159
Community Enhancement	-	-	-	24,306	24,306
School District	44,170	-	-	-	44,170
Assigned to:					
Risk Management	22,539	-	-	-	22,539
Fleet Replacement	84,870	-	-	-	84,870
Capital Projects	-	-	-	1,416,838	1,416,838
Unassigned	6,911,867	-	-	-	6,911,867
TOTAL FUND BALANCES	7,173,050	2,586,771	1,127,198	7,394,395	18,281,414
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 8,538,060	\$ 2,777,644	\$ 1,167,315	\$ 7,406,815	\$ 19,889,834

See notes to basic financial statements

CITY OF SHERWOOD

Sherwood, Oregon

**RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2021**

TOTAL FUND BALANCE		\$ 18,281,414
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	\$ 156,026,823	
Accumulated depreciation	<u>(85,708,231)</u>	70,318,592
Other post employment benefit assets are not financial resources for budgetary purposes and are therefore not reported in the governmental funds		
		72,232
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.		
		120,693
Deferred Inflows - Pension		(830,463)
Deferred Inflows - Other Post Employment Benefits		(68,507)
Deferred Outflows - Pension		5,209,789
Deferred Outflows - Other Post Employment Benefits		87,595
Compensated absences not payable in the current year are not recorded as governmental fund liabilities.		
		(853,080)
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	\$ (5,171,957)	
Pension liability	(14,736,634)	
OPEB liability	(562,212)	
Premium on bonds	(93,575)	
Accrued interest payable	<u>(17,222)</u>	<u>(20,581,600)</u>
TOTAL NET POSITION		<u>\$ 71,756,665</u>

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, 2021**

	General Fund	Street Operations Fund	Urban Renewal Operations Fund	Other Nonmajor Governmental Funds	Totals
REVENUES:					
Property Taxes	\$6,594,623	\$ -	\$ 2,847,473	\$ 272,699	\$ 9,714,795
Franchises and fees	2,111,047	-	-	30,360	2,141,407
Intergovernmental	4,243,217	1,874,607	-	133,397	6,251,221
Charges for services	2,010,370	739,211	-	126,095	2,875,676
Infrastructure development fees	-	-	-	948,583	948,583
Fines and forfeitures	2,111,824	-	-	-	2,111,824
Interest on investments	56,128	23,932	9,217	64,788	154,065
Miscellaneous	45,879	971	-	-	46,850
TOTAL REVENUES	17,173,088	2,638,721	2,856,690	1,575,922	24,244,421
EXPENDITURES:					
Current:					
Administration	2,702,847	-	76,011	-	2,778,858
Community Development	2,897,648	-	-	-	2,897,648
Public Safety	4,785,637	-	-	-	4,785,637
Community Services	2,399,350	-	-	-	2,399,350
Public Works	2,113,917	1,680,515	-	473,488	4,267,920
Noncurrent					
Capital Outlay	441,227	467,378	-	2,005,268	2,913,873
Debt Service - Principal	-	-	2,086,959	265,000	2,351,959
Debt Service - Interest	-	-	267,440	5,299	272,739
TOTAL EXPENDITURES	15,340,626	2,147,893	2,430,410	2,749,055	22,667,984
Excess of revenues over expenditures	1,832,462	490,828	426,280	(1,173,133)	1,576,437
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	10,946	-	-	-	10,946
Transfers in	4,629	-	-	2,328,057	2,332,686
Transfers out	-	(710,000)	-	(1,622,686)	(2,332,686)
TOTAL OTHER FINANCING SOURCES (USES)	15,575	(710,000)	-	705,371	10,946
NET CHANGE IN FUND BALANCES	1,848,037	(219,172)	426,280	(467,762)	1,587,383
FUND BALANCES - beginning of year	5,325,013	2,805,943	700,918	7,862,157	16,694,031
FUND BALANCES - end of year	\$7,173,050	\$2,586,771	\$ 1,127,198	\$ 7,394,395	\$ 18,281,414

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, 2021**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ 1,587,383**

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	\$ 3,286,916	
Loss on disposal of capital assets	(15,384)	
Depreciation	<u>(5,423,522)</u>	(2,151,990)

Contributions of capital assets are not recorded as revenues in the fund statements		1,039,399
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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.		(39,715)
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Principal payments on long-term obligations are expenditures in the governmental funds,
but reduce long-term liabilities in the Statement of Net Position.

Premium on bonds	42,355	
Principal on capital lease	14,062	
Principal on bonds and notes	<u>2,351,959</u>	2,408,376

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	(1,464,641)	
OPEB Expense	(33,630)	
Accrued interest	16,851	
Compensated absences	<u>(105,474)</u>	<u>(1,586,894)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 1,256,559**

CITY OF SHERWOOD

Sherwood, Oregon

PROPRIETARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2021

	Water	Sewer	Storm	Broadband	Totals
ASSETS:					
Current assets:					
Cash and investments	\$ 15,810,632	\$ 3,598,927	\$ 6,182,545	\$ -	\$ 25,592,104
Receivables, net	1,261,291	409,020	247,462	75,858	1,993,631
Prepays	305	1,447	201	10,344	12,297
Total current assets	17,072,228	4,009,394	6,430,208	86,202	27,598,032
Noncurrent assets:					
Investment in joint ventures	1,046,756	-	-	-	1,046,756
Net other post employment benefits asset	4,192	2,064	3,864	4,303	14,423
Land, improvements and construction in progress	2,100,960	1,988,205	3,052,370	782,895	7,924,430
Other capital assets, net	49,673,072	12,921,934	21,813,115	2,510,779	86,918,900
Total noncurrent assets	52,824,980	14,912,203	24,869,349	3,297,977	95,904,509
TOTAL ASSETS	69,897,208	18,921,597	31,299,557	3,384,179	123,502,541
DEFERRED OUTFLOWS :					
Pension	320,898	126,396	211,082	211,626	870,002
Other post employment benefits	5,081	2,503	4,687	5,219	17,490
TOTAL DEFERRED OUTFLOWS	325,979	128,899	215,769	216,845	887,492
LIABILITIES:					
Current liabilities:					
Accounts payable and other current liabilities	583,218	573,515	308,026	32,266	1,497,025
Payroll payable	27,202	15,186	23,067	24,029	89,484
Due to other funds	-	-	-	769,893	769,893
Accrued compensated absences	22,463	11,417	16,421	11,662	61,963
Loans payable - current portion	1,203,705	-	-	115,882	1,319,587
Leases payable - current portion	-	-	-	47,126	47,126
Accrued interest payable	39,924	-	-	3,492	43,416
Total current liabilities	1,876,512	600,118	347,514	1,004,350	3,828,494
Long-term liabilities					
Loans payable - long-term portion	15,957,170	-	-	1,639,711	17,596,881
Leases payable - long-term portion	-	-	-	101,855	101,855
Accrued compensated absences	33,694	17,126	24,633	17,493	92,946
Net pension liability	907,711	357,528	597,075	598,614	2,460,928
Net other post employment benefits obligation	32,620	16,068	30,077	33,492	112,257
Total long-term liabilities	16,931,195	390,722	651,785	2,391,165	20,364,867
TOTAL LIABILITIES	18,807,707	990,840	999,299	3,395,515	24,193,361
DEFERRED INFLOWS:					
Pension	51,152	20,147	33,648	33,735	138,682
Other post employment benefits	3,975	1,958	3,705	4,081	13,719
TOTAL DEFERRED INFLOWS	55,127	22,105	37,353	37,816	152,401
NET POSITION:					
Net investment in capital assets	34,613,157	14,910,139	24,865,485	1,389,100	75,777,881
Restricted for capital improvements	4,542,289	2,228,327	663,404	1,838,955	9,272,975
Restricted OPEB asset	4,192	2,064	3,864	4,303	14,423
Unrestricted	12,200,715	897,021	4,945,921	(3,064,665)	14,978,992
TOTAL NET POSITION	\$ 51,360,353	\$ 18,037,551	\$ 30,478,674	\$ 167,693	\$ 100,044,271

See notes to basic financial statements

CITY OF SHERWOOD

Sherwood, Oregon

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021**

	Water	Sewer	Storm	Broadband	Totals
OPERATING REVENUES:					
Charges for services	\$ 6,402,114	\$ 785,373	\$ 2,116,224	\$ 769,744	\$ 10,073,455
Intergovernmental	-	138,029	16	346,856	484,901
TOTAL OPERATING REVENUES	<u>6,402,114</u>	<u>923,402</u>	<u>2,116,240</u>	<u>1,116,600</u>	<u>10,558,356</u>
OPERATING EXPENSES:					
Personnel services	843,776	339,323	573,838	593,220	2,350,157
Materials and services	2,178,452	382,782	478,418	782,493	3,822,145
Depreciation	737,715	186,255	288,939	94,696	1,307,605
TOTAL OPERATING EXPENSES	<u>3,759,943</u>	<u>908,360</u>	<u>1,341,195</u>	<u>1,470,409</u>	<u>7,479,907</u>
OPERATING INCOME (LOSS)	<u>2,642,171</u>	<u>15,042</u>	<u>775,045</u>	<u>(353,809)</u>	<u>3,078,449</u>
NONOPERATING INCOME (EXPENSE):					
Interest expense	(491,428)	-	-	(46,632)	(538,060)
Interest earnings	137,297	32,118	51,060	4,013	224,488
Loss in equity in joint ventures	(8,167)	-	-	-	(8,167)
Debt issuance costs	(142,234)	-	-	-	(142,234)
TOTAL NONOPERATING INCOME (EXPENSE)	<u>(504,532)</u>	<u>32,118</u>	<u>51,060</u>	<u>(42,619)</u>	<u>(463,973)</u>
NET INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>2,137,639</u>	<u>47,160</u>	<u>826,105</u>	<u>(396,428)</u>	<u>2,614,476</u>
Capital Contributions - System development fees	331,183	38,288	11,755	-	381,226
Capital Contributions - Contributed assets	324,938	352,435	319,570	100,750	1,097,693
CHANGE IN NET POSITION	<u>2,793,760</u>	<u>437,883</u>	<u>1,157,430</u>	<u>(295,678)</u>	<u>4,093,395</u>
NET POSITION, June 30, 2020	<u>48,566,593</u>	<u>17,599,668</u>	<u>29,321,244</u>	<u>463,371</u>	<u>95,950,876</u>
NET POSITION, June 30, 2021	<u>\$ 51,360,353</u>	<u>\$ 18,037,551</u>	<u>\$ 30,478,674</u>	<u>\$ 167,693</u>	<u>\$ 100,044,271</u>

See notes to basic financial statements

CITY OF SHERWOOD
Sherwood, Oregon

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

	Water	Sewer	Storm	Broadband	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers	\$ 6,048,833	\$ 897,625	\$ 2,102,454	\$ 1,082,254	\$ 10,131,166
Payments to suppliers	(2,164,939)	(405,933)	(377,801)	(72,883)	(3,021,556)
Payments to employees	(763,844)	(289,760)	(509,887)	(386,222)	(1,949,713)
NET CASH FROM OPERATING ACTIVITIES	3,120,050	201,932	1,214,766	623,149	5,159,897
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of capital assets	(884,995)	(380,514)	(1,038,875)	(1,457,512)	(3,761,896)
System development charges	331,183	38,288	11,755	-	381,226
Principal paid on long-term obligations	(971,790)	-	-	(157,806)	(1,129,596)
Payment to escrow account for refunding	(10,590,210)	-	-	-	(10,590,210)
Interest paid on long-term obligations	(745,969)	-	-	(46,857)	(792,826)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(2,268,435)	(342,226)	(1,027,120)	(1,662,175)	(5,299,956)
CASH FLOWS FROM INVESTMENT ACTIVITIES					
Contributions to joint ventures	(399,095)	-	-	-	(399,095)
Interest earnings	137,297	32,118	51,060	4,013	224,488
NET CASH FROM INVESTING ACTIVITIES	(261,798)	32,118	51,060	4,013	(174,607)
NET INCREASE IN CASH AND CASH EQUIVALENTS	589,817	(108,176)	238,706	(1,035,013)	(314,666)
CASH AND CASH EQUIVALENTS, beginning of year	15,220,815	3,707,103	5,943,839	1,035,013	25,906,770
CASH AND CASH EQUIVALENTS, end of year	\$15,810,632	\$3,598,927	\$6,182,545	\$ -	\$25,592,104
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES					
Operating income (loss)	\$ 2,642,171	\$ 15,042	\$ 775,045	\$ (353,809)	\$ 3,078,449
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	737,715	186,255	288,939	94,696	1,307,605
Pension expense	77,629	37,365	51,768	179,432	346,194
Net OPEB expense (benefit)	(7)	1,496	6,551	13,964	22,004
Decrease (increase) in assets					
Prepays	4,528	(1,447)	(201)	(8,363)	(5,483)
Receivables, net	(353,281)	(25,777)	(13,787)	(34,346)	(427,191)
Increase (decrease) in liabilities					
Accounts payable	(224)	85,890	100,198	(51,920)	133,944
Payroll payable	4,923	5,319	1,278	6,481	18,001
Due to other funds	-	-	-	769,893	769,893
Compensated absences payable	(2,613)	5,383	4,354	7,121	14,245
Other current liabilities	9,209	(107,594)	620	-	(97,765)
NET CASH FROM OPERATING ACTIVITIES	\$ 3,120,050	\$ 201,932	\$ 1,214,766	\$ 623,149	\$ 5,159,897
Summary of non-cash transactions:					
Contributions of capital assets from developers	\$ 324,938	\$ 352,435	\$ 319,570	\$ 100,750	\$ 1,097,693
Equity (loss) in joint venture	(8,167)	-	-	-	(8,167)

See notes to basic financial statements

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

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 business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type 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 business-type 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 proprietary 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 other 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 balance/net position, revenues and expenditures/expenses.

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2021

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 proprietary 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:

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

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.

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, 2021

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.
- 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.
- 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, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement focus and basis of accounting (Continued)

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. The City presents deferred inflows from pensions and other post-employment benefits (OPEB) as deferred inflows on the statement of net position. 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. The City 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, net difference between projected and actual earnings on investments, changes in proportionate share, differences between City contributions and proportionate share of system contributions, and changes in assumptions.

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

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

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement focus and basis of accounting (Continued)

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

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

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

1. *Cash and investments*

The City reports cash and investments at fair value in a common pool. Interest earned on the pooled cash and investments is allocated monthly based on each fund's average cash balance as a proportion of the City's total pooled cash and investments.

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, storm water management, and broadband 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, 2021

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 business-type activities columns in the government-wide financial statements and in the proprietary 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, 2021

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, business-type 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 is required to be measured and disclosed using the accrual basis of accounting regardless of the amount recognized as OPEB expense on the modified accrual basis of accounting. Annual OPEB cost is calculated in accordance with GASB Statement No. 75.

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.
- Fund balance is reported as committed when the City Council passes a resolution that places specific constraints on how the resources may be used. The City Council can modify or rescind the commitment at any time through passage of an additional resolution.

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- Resources that are constrained by the City's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Assigned fund balances are designated for specific use by the City Manager, authority granted by the City Council in Financial Policy V – Revenue Constraints and Fund Balance.
- Unassigned fund balance is the residual classification for the General Fund. This classification is also used to report any deficit fund balance amounts in other governmental funds.

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

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

E. Use of estimates

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

F. Budget

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

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

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

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

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2021

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 supplemental budgets approved by the Council during the year.

All appropriations lapse at fiscal year-end.

II. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

1. Pooled Deposits and Investments

The City maintains a cash and investment pool that is available for use by all funds. Governmental activities and business-type activities portions of this pool are displayed on the government-wide Statement of Net Position as "Cash and Investments". Oregon Revised Statutes (ORS) authorize the City to invest in obligations of the U.S. Treasury, U.S. government agencies and instrumentalities, bankers' acceptances guaranteed by an Oregon financial institution, repurchase agreements, State of Oregon Treasury Local Government Investment Pool, various interest bearing bonds of Oregon municipalities, certificates of deposit, and certain commercial paper among others. In addition, the City's investments are governed by a written investment policy, which is approved by the Oregon Short-Term Fund Board and adopted by the City Council. The policy specifies the City's investment objectives, required diversification, certain limitations, security safekeeping, and reporting requirements.

Cash and investments are compromised of the following at June 30, 2021:

Cash on hand	\$	2,100
Cash with fiscal agent		873
Deposits with financial institutions		870,070
Investments		42,256,235
Total cash and investments	\$	<u>43,129,278</u>

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2021

II. DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash and investments (Continued)

1. Pooled Deposits and Investments (Continued)

The City participates in an external investment pool (State of Oregon Treasury Local Government Investment Pool). The Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The State's investment policies are governed by the ORS and the Oregon Investment Council (OIC). The State Treasurer is the investment officer for the OIC and is responsible for all funds in the State Treasury. These funds are invested exercising reasonable care, skill and caution. Investments in the Pool are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which establishes diversification percentages and specifies the types and maturities of investments. That portion of the external investment pool which belongs to local government participants is reported in an Investment Trust Fund in the State's Annual Comprehensive Financial Report. A copy of the State's Annual Comprehensive Financial Report may be obtained at the Oregon State Treasury, 350 Winter St. N.E., Salem, Oregon 97310-0840. The City's investment in the LGIP is stated at cost, which approximates fair value.

2. Deposits with Financial Institutions

The City's deposits with financial institutions are insured up to levels defined by Federal laws, the Federal Depository Insurance Corporation (FDIC) and National Credit Union Administration (NCUA). Deposits with financial institutions are comprised of time deposits and bank demand deposits totaling \$1,495,126. Of these time deposits and bank demand deposits, \$250,000 was covered by FDIC. For the \$1,245,126 deposits in excess of FDIC insurance, the ORS requires that deposit accounts in excess of the deposit insurance limits are only maintained at financial institutions included on a list of qualified depositories as determined by the Office of the State Treasurer. The City was in compliance with the ORS requirement.

3. Interest Rate Risk

To manage exposure to fair-value losses from increases in interest rates, the City's policy is to set guidelines for portfolio maturities. The greater of three months operating expenditures or at least 25% of the City's investment portfolio must mature within 90 days. Up to 35% of the portfolio may mature in under 1 year and the remainder may mature over one year but should be invested to coincide closely with the expected use of the funds. No investments may mature in over five years.

The City's fair value of investments as of June 30, 2021 are summarized below:

Investment	Fair Value	Less than 3 Months	4-12 Months	Greater than 12 Months
Federal Agencies	\$ 5,049,824	\$ 1,001,237	\$ 1,014,964	\$ 3,033,623
State of Oregon Local Government Investment Pool	37,206,411	37,206,411	-	-
Total Investments	<u>\$ 42,256,235</u>	<u>\$ 38,207,648</u>	<u>\$ 1,014,964</u>	<u>\$ 3,033,623</u>

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2021

II. DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash and investments (Continued)

4. Credit Risk

The City's investment policy limits the type of investments to no more than 10% in corporate bonds, and municipal obligations, 15% in corporate commercial paper, 25% in corporate bonds, and 50% in bank time deposits/savings accounts, and certificates of deposit. There are no portfolio limits to United States treasury obligations, and United States government agency securities. As of June 30, 2021, the Oregon Short-Term Fund (LGIP) is limited to \$51,177,000 per Oregon Revised Statute 294.810.

The minimum allowable credit rating criteria the City's investment policy authorizes for issuers of commercial paper is limited to those rated A1/P1 or better by Standard & Poor's (S&P) and Moody's Investors Service. Corporate indebtedness must have a minimum long term debt rating of AA- by S&P or a Aa3 rating by Moody's Investors Service. Municipal obligations must have a minimum long-term rating of AA by S&P or Aa3 by Moody's. The Oregon Short-Term Fund is not rated. As of June 30, 2020, the City's investments in United States, government agency securities were rated AA+ by S&P or not eligible for rating. All investments are in compliance with the City's investment policy.

5. Concentration of Credit Risk

Issuer	Fair Value	Percent of Holdings	Maximum Allowable % Holdings
FHLMC	\$ 1,001,237	2.37%	100%
FHLB	1,014,964	2.40%	100%
FFCB	1,036,154	2.45%	100%
FNMA	1,000,077	2.37%	100%
FNMA	997,392	2.36%	100%
Oregon Short-Term Fund (LGIP)	37,206,411	88.05%	*
Total of Investments	<u>\$ 42,256,235</u>	<u>100.00%</u>	

* Maximum allowed per ORS 294.810

6. Fair Value Measurement

The City categorizes its investments in the fair value hierarchy established by generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy as follows:

- Level 1: Investments reflect prices quoted in active markets;
- Level 2: Investments reflect observable inputs including, but not limited to, quoted prices for similar assets in markets that are active, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the assets (such as exchange rates, financing terms, interest rates, yield curves, volatilities, loss severities, credit risk and default rates) or other market-corroborated inputs; and,
- Level 3: Investments reflect prices based upon unobservable sources.

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2021

II. DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash and investments (Continued)

6. Fair Value Measurement (Continued)

The City reports investments at fair market value. U.S. agency obligations are Level 1 investments. Investments in LGIP are not subject to level designation.

B. Receivables

Receivables as of June 30, 2021, net of allowance for uncollectible amounts, are as follows:

	Governmental Funds	Business Type Funds	Total
Receivables:			
Property taxes	\$ 186,635	\$ -	\$ 186,635
Court Fines	2,091,992	-	2,091,992
Federal Revenue	100,000	-	100,000
State Revenue	318,697	-	318,697
Misc IG	-	91,361	91,361
4th Qtr Franchise Fees	293,827	-	293,827
Building Rent	101,727	3,861	105,588
Metro Q4 Comm Enhance Grant	17,965	-	17,965
Metro Contractors Bus Lic Prog	2,880	-	2,880
Miscellaneous	5,774	364	6,138
Music on the Green	1,300	-	1,300
Broadband	-	49,599	49,599
Utility Bills	68,767	1,722,328	1,791,095
Utility Bills for CWS	-	262,359	262,359
Broadband	-	26,972	26,972
Gross Receivables	<u>3,189,562</u>	<u>2,156,845</u>	<u>5,346,407</u>
Less: allowance for uncollectables			
Court	(1,707,996)	-	(1,707,996)
Broadband	-	(815)	(815)
Utility Bills	(8,527)	(162,276)	(170,803)
Net Receivables	<u>\$ 1,473,163</u>	<u>\$ 1,993,631</u>	<u>\$ 3,466,794</u>

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2021

II. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital assets

Capital assets for governmental activities for the year ended June 30, 2021 are as follows:

	Balance June 30, 2020	Additions	Deletions	Transfers	Balance June 30, 2021
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 12,526,468	\$ -	\$ -	\$ -	\$ 12,526,468
Intangibles (easements)	6,491,012	658,733	-	-	7,149,745
Construction work in progress	1,765,564	2,881,601	-	(104,356)	4,542,809
Total capital assets, not being depreciated	<u>20,783,043</u>	<u>3,540,334</u>	<u>-</u>	<u>(104,356)</u>	<u>24,219,022</u>
Capital assets being depreciated:					
Infrastructure	78,442,917	380,667	-	104,356	78,927,940
Buildings and improvements	48,503,686	65,625	(11,858)	-	48,557,453
Machinery and equipment	1,969,649	83,430	(19,800)	-	2,033,279
Licensed vehicles	2,091,872	256,260	(59,003)	-	2,289,129
Total capital assets being depreciated	<u>131,008,124</u>	<u>785,982</u>	<u>(90,661)</u>	<u>104,356</u>	<u>131,807,801</u>
Less accumulated depreciation					
Infrastructure	53,957,422	(3,138,266)	-	-	57,095,689
Buildings and improvements	23,750,501	(1,929,041)	3,917	-	25,675,626
Machinery and equipment	1,382,943	(172,063)	12,357	-	1,542,649
Licensed vehicles	1,269,118	(184,152)	59,003	-	1,394,267
Total accumulated depreciation	<u>80,359,984</u>	<u>(5,423,522)</u>	<u>75,276</u>	<u>-</u>	<u>85,708,231</u>
Total capital assets being depreciated, net	50,648,140	(4,637,540)	(15,384)	104,356	46,099,570
Governmental Activities Capital Assets, net	<u>\$ 71,431,183</u>	<u>\$ (1,097,206)</u>	<u>\$ (15,384)</u>	<u>\$ -</u>	<u>\$ 70,318,592</u>
 Governmental activities:					
Administration		\$ (105,561)			
Public Safety		(29,609)			
Community services		(352,088)			
Public works		(4,936,263)			
Total depreciation expense - governmental activities		<u>\$ (5,423,522)</u>			

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2021

II. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital assets (Continued)

Capital assets for business-type activities for the year ended June 30, 2021 are as follows:

	Balance June 30, 2020	Additions	Deletions	Transfers	Balance June 30, 2021
Business-type Activities					
Capital assets not being depreciated:					
Land	\$ 224,945	\$ -	\$ -	\$ -	\$ 224,945
Intangibles (easements)	3,567,787	272,360	-	-	3,840,147
Construction work in progress	1,744,264	3,756,631	-	(1,641,558)	3,859,338
Total capital assets, not being depreciated	<u>5,536,996</u>	<u>4,028,991</u>	<u>-</u>	<u>(1,641,558)</u>	<u>7,924,430</u>
Capital assets being depreciated:					
Infrastructure	100,904,767	813,054	-	1,641,558	103,359,379
Buildings and improvements	23,602	-	-	-	23,602
Machinery and equipment	2,157,360	17,544	-	-	2,174,904
Licensed vehicles	577,229	-	-	-	577,229
Total capital assets being depreciated	<u>103,662,958</u>	<u>830,598</u>	<u>-</u>	<u>1,641,558</u>	<u>106,135,115</u>
Less accumulated depreciation					
Infrastructure	15,933,395	(1,206,160)	-	-	17,139,555
Buildings and improvements	5,381	(453)	-	-	5,834
Machinery and equipment	1,490,223	(61,348)	-	-	1,551,571
Licensed vehicles	479,613	(39,643)	-	-	519,256
Total accumulated depreciation	<u>17,908,611</u>	<u>(1,307,605)</u>	<u>-</u>	<u>-</u>	<u>19,216,215</u>
Total capital assets being depreciated, net	<u>85,754,347</u>	<u>(477,007)</u>	<u>-</u>	<u>1,641,558</u>	<u>86,918,900</u>
Business-type Activities Capital Assets, net	<u><u>\$ 91,291,345</u></u>	<u><u>\$ 3,551,984</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 94,843,330</u></u>
 Business-type activities:					
Water		\$ (737,715)			
Sanitary		(186,255)			
Storm		(288,939)			
Telecom		(94,696)			
Total depreciation expense - business-type activities		<u><u>\$ (1,307,605)</u></u>			

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2021

II. DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital leases

In prior years the City entered into lease agreements as lessee for financing the acquisition of office equipment valued at \$342,873. The equipment has between 4 and 5 year estimated useful lives. This year, \$64,642 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, 2021, were as follows:

<u>Year ending June 30</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>
2022	\$ 5,637	\$ 55,000
2023	1,760	55,000
2024	-	55,000
Total minimum lease payments	7,397	165,000
Less: amount representing interest	(441)	(16,019)
Present value of minimum lease payments	<u>\$ 6,956</u>	<u>\$ 148,981</u>

E. Accounts payable and other current liabilities

Accounts payable and other current liabilities as of June 30, 2021, are as follows:

	<u>Governmental Activities</u>	<u>Proprietary Activities</u>	<u>Total</u>
Vendor accounts payable	\$ 756,837	\$ 1,138,557	\$ 1,895,394
Customer deposits	121,899	76,495	198,394
Clean Water Services fees	-	250,832	250,832
Other current liabilities	82,041	31,140	113,181
Total accounts payable and other current liabilities	<u>\$ 960,777</u>	<u>\$ 1,497,025</u>	<u>\$ 2,457,802</u>

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2021

II. DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term liabilities

1. Long-term debt and other debt

Governmental Activities

Direct Borrowings and Placements

Downtown Cannery and Street Projects: In fiscal year 2010-11, the City entered into a financing agreement in the amount of \$7,065,000 at 4.65 percent interest rate. The loan is for urban renewal projects within the Urban Renewal Agency (URA) boundaries which the Agency pledges the tax increment revenues to pay the financing payments or debt service. The outstanding loan carries an Event of Default clause which allows the lender to exercise any remedy available at law or in equity with the exception of acceleration. As of June 30, 2021, the balance outstanding on the bank loan was \$3,995,000. Future principal and interest payments on the loan are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 370,000	\$ 185,768	\$ 555,768
2023	385,000	168,563	553,563
2024	400,000	150,660	550,660
2025	420,000	132,060	552,060
2026	440,000	112,530	552,530
2027-30	1,980,000	235,523	2,215,523
	<u>\$ 3,995,000</u>	<u>\$ 985,104</u>	<u>\$ 4,980,104</u>

Downtown Cannery Project: In fiscal year 2010-11, the City entered into a financing agreement with the State of Oregon to receive a loan in the amount of \$8,500,000 at 2.0 percent interest from the Oregon Infrastructure Finance Authority. The loan is for urban renewal projects within the URA which the Agency pledges the tax increment revenues to pay the financing payments or debt service. The outstanding loan carries an Event of Default clause which allows the lender to exercise any remedy available at law or in equity, including acceleration. In the current year the balance was paid and at June 30, 2021 there was not an outstanding balance on the loan.

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2021

II. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-term liabilities (Continued)

1. Long-term debt and other debt (continued)

Other Debt

Refinancing Bonds: In fiscal year 2010-11, the City issued \$2,305,000 of General Obligation Refunding Bonds. The bonds issued were to refinance an existing 2001 bond to build the police station. The outstanding loan carries an Event of Default clause which allows the lender to exercise any remedy available at law or in equity, with the exception of acceleration. Interest rates range from 2.0 percent to 4.0 percent, depending upon maturity. In the current year the balance was paid and at June 30, 2021 there was not an outstanding balance on the loan.

Civic Building and Street Refunding Bonds: In fiscal year 2012-13, the City issued \$5,245,000 of Full Faith and Credit Refunding Obligations. The bonds issued were to refinance existing debt to construct a civic building and improve city streets. The loan is for urban renewal projects within the City URA which the agency pledges the tax increment revenues to pay the financing payments or debt service. The outstanding loan carries an Event of Default clause which allows the lender to exercise any remedy available at law or in equity, with the exception of acceleration. Interest rates on the bonds range between 2.15 percent and 3.0 percent. At June 30, 2021, the outstanding balance on the bonds were \$1,165,000 and the balance of the unamortized premium was \$93,575. Future principal and interest payments on the bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 405,000	\$ 25,506	\$ 430,506
2023	375,000	13,806	388,806
2024	385,000	4,091	389,091
	1,165,000	\$ 43,403	\$ 1,208,403
Premium	93,574		
	<u>\$ 1,258,574</u>		

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2021

II. DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term liabilities (Continued)

1. Long-term debt and other debt (continued)

Business-Type Activities

Direct Borrowings and Placements

Full Faith and Credit Obligations

Refinancing Bonds: In fiscal year 2016-17, the city issued \$9,189,000 of Full Faith and Credit Obligations. The bonds issued were to refinance two State of Oregon loans for interest rate savings. The original bonds were issued to increase and improve the City water supply system. The outstanding loan carries an Event of Default clause which allows the lender to exercise any remedy available at law or in equity, with the exception of acceleration. Interest rates on the bonds are set at 2.29 percent. At June 30, 2021, the outstanding balance on the bonds were \$6,658,000. Future principal and interest payments on the bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 636,000	\$ 145,186	\$ 781,186
2023	651,000	130,449	781,449
2024	666,000	115,370	781,370
2025	681,000	99,947	780,947
2026	697,000	84,169	781,169
2027-2031	3,327,000	175,838	3,502,838
	<u>\$ 6,658,000</u>	<u>\$ 750,960</u>	<u>\$ 7,408,960</u>

Sherwood Broadband Expansion Loan: In fiscal year 2019-20, the city issued \$2,000,000 of Full Faith and Credit Obligations. The bonds issued were to finance the expansion of the Sherwood Broadband infrastructure. The outstanding loan carries an Event of Default clause which allows the lender to exercise any remedy available at law with the exception of acceleration. Interest rates on the bonds are 2.51%. At June 30, 2021, the outstanding balance on the bonds was \$1,755,593. Future principal and interest payments on the bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 115,882	\$ 44,065	\$ 159,947
2023	118,791	41,157	159,948
2024	121,772	38,175	159,947
2025	124,829	35,119	159,948
2026	127,962	31,985	159,947
2027-2031	689,631	110,106	799,737
2032-2034	456,726	23,117	479,843
	<u>\$ 1,755,593</u>	<u>\$ 323,725</u>	<u>\$ 2,079,318</u>

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2021

II. DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term liabilities (Continued)

1. Long-term debt and other debt (continued)

Other Debt

Refinancing Bonds: In fiscal year 2010-11, the city issued \$14,165,000 of Full Faith and Credit Obligations. The bonds issued were to refinance an existing \$4,000,000 bond to increase capacity in the water supply system and to initiate a line of credit for continued water system expansion. The outstanding loan carries an Event of Default clause which allows the lender to exercise any remedy available at law or in equity, with the exception of acceleration. Interest rates on the bonds range between 2.0 percent to 5.0 percent. In the current year the bonds were refinanced to a reduced interest rate. At June 30, 2021, there was not an outstanding balance on the loan.

Refinancing Bonds: In fiscal year 2021, the city issued \$8,895,000 of Full Faith and Credit Obligations. The bonds issued were to refinance an existing \$14,165,000 bond to increase capacity in the water supply system and to initiate a line of credit for continued water system expansion. The outstanding loan carries an Event of Default clause which allows the lender to exercise any remedy available at law or in equity, with the exception of acceleration. Interest rates on the bonds are 4.0 percent. At June 30, 2021, the outstanding balance on the bonds were \$8,785,000 and the balance of the unamortized premium was \$1,717,874. Future principal and interest payments on the bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 445,000	\$ 351,400	\$ 796,400
2023	460,000	333,600	793,600
2024	480,000	315,200	795,200
2025	495,000	296,000	791,000
2026	480,000	276,200	756,200
2027-2031	2,895,000	1,062,800	3,957,800
2032-2036	3,530,000	435,200	3,965,200
	<u>8,785,000</u>	<u>\$ 3,070,400</u>	<u>\$ 11,855,400</u>
Premium	<u>1,717,874</u>		
	<u>\$ 10,502,874</u>		

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2021

II. DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term liabilities (Continued)

1. Long-term debt and other debt (continued)

Long-term debt activity, including compensated absences, for the year ended June 30, 2021 was as follows:

	Balance June 30, 2020	Additions	Retirements	Balances June 30, 2021	Due within one year
Governmental activities					
Direct borrowings and placements					
Bank loan	\$ 4,345,000	\$ -	\$ 350,000	\$ 3,995,000	\$ 370,000
State of Oregon loans	1,226,960	-	1,226,960	-	-
Total direct borrowings and placements	5,571,960	-	1,576,960	3,995,000	370,000
Other debt					
Bonds payable	1,945,000	-	780,000	1,165,000	405,000
Total governmental debt	7,516,960	-	2,356,960	5,160,000	775,000
Premium on bonds	135,930	-	42,355	93,574	31,192
Other long-term liabilities					
Capital Leases	21,018	-	14,062	6,956	5,637
Compensated absences	747,606	105,474		853,080	341,232
Total other long-term liabilities	768,624	105,474	14,062	860,036	346,869
Governmental Activities	<u>\$ 8,421,513</u>	<u>\$ 105,474</u>	<u>\$ 2,413,377</u>	<u>\$ 6,118,612</u>	<u>\$ 1,153,061</u>
Business-type activities					
Direct borrowings and placements					
Full Faith and Credit Bonds Payable	\$ -	\$ 8,895,000	\$ 110,000	\$ 8,785,000	\$ 445,000
Full Faith and Credit Bonds Payable	10,830,000	-	10,830,000	-	-
Full Faith and Credit Bonds Payable	7,280,000	-	622,000	6,658,000	636,000
Full Faith and Credit Bonds Payable	1,868,638	-	113,045	1,755,593	115,882
Total business-type debt	19,978,638	8,895,000	11,675,045	17,198,593	1,196,882
Premium on bonds	118,840	1,840,580	241,545	1,717,874	122,705
Other long-term liabilities					
Capital Leases	193,742	-	44,761	148,981	47,126
Compensated absences	140,663	14,246		154,909	61,963
Total other long-term liabilities	334,405	14,246	44,761	303,890	109,089
Business-type activities	<u>\$ 20,431,882</u>	<u>\$10,749,826</u>	<u>\$11,961,351</u>	<u>\$ 19,220,358</u>	<u>\$ 1,428,676</u>

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2021

II. DETAILED NOTES ON ALL FUNDS (Continued)

G. Transfers

Transfers were used to move funds from the Street Capital Fund to the General Construction Fund to finance trail and parks improvements and from the Street Operations Fund to the Street Capital Fund to finance capital street improvements.

Transfers Out:		Transfers In:			Total
Fund		General Fund	Street Capital Fund	Other Nonmajor Funds	
1 Street Operations Fund	\$	-	\$ 710,000	\$ -	\$ 710,000
2 Street Capital Fund		-	-	1,618,057	1,618,057
3 Grant Fund		4,629	-	-	4,629
Total	\$	4,629	\$ 710,000	\$ 1,618,057	\$ 2,332,686

Purpose:

- 1 To fund capital project construction
- 2 To fund Cedar Creek Trail projects
- 3 To offset administrative costs to administer CEP grant

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 ACFR which can be found at: <http://www.oregon.gov/pers/pages/financials/actuarial-financial-information.aspx>

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2021

III. OTHER INFORMATION (Continued)

B. Pension plan (Continued)

2. Benefits Provided

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

Pension Benefits

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results. A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General Service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50.

Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

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.

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2021

III. OTHER INFORMATION (Continued)

B. Pension plan (Continued)

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 fair 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.

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.

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2021

III. OTHER INFORMATION (Continued)

B. Pension plan (Continued)

Benefit Changes After Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA for creditable service earned before October 2013 is 2.00%. The COLA for creditable service earned after October 2013 is calculated as 1.25% on the first \$60,000 of annual benefit and 0.15% on amounts above \$60,000 of annual benefit.

C. OPSRP Individual Account Program (OPSRP IAP)

Pension Benefits

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

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, 2018 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2019. Employer contributions for the year ended June 30, 2021 were \$1,971,225, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2021 were 26.55 percent for Tier One/Tier Two General Service Member and Police and Fire, 18.28 percent for OPSRP Pension Program General Service Members, and 22.91 percent for OPSRP Pension Program Police and Fire Members.

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2021

III. OTHER INFORMATION (Continued)

B. Pension plan (Continued)

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 \$433,657 of the union represented employees' contribution.

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

At June 30, 2021, the City reported a liability of \$17,197,562 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018 rolled forward to June 30, 2020. 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, 2020, the City's proportion was 0.0788 percent, which is a decrease from its proportion of 0.0836 percent measured as of June 30, 2019.

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.

On June 11, 2019, Senate Bill (SB) 1049 was enacted by the Senate of the State of Oregon. The elements of the bill include a variety of policy and program changes which will affect the City's pension plan. Most prominent is a one-time 22-year re-amortization of the unamortized actuarial liability for Tier 1 and Tier 2 employees and contribution rate adjustments. The effect of SB 1049 could reduce the City's pension contribution rates by an undetermined amount. In August 2019, a petition was filed with the Oregon Supreme Court challenging the constitutionality of certain portions of SB 1049. In August 2020, the Oregon Supreme Court upheld SB 1049 including two reductions to employee pension benefits.

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2021

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)

For the year ended June 30, 2021, the City's recognized pension expense of \$3,735,411. At June 30, 2021, 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	\$ 756,901	\$ -
Changes in assumptions	922,939	32,338
Net difference between projected and actual earnings on investments	2,022,210	-
Changes in proportionate share	330,449	771,563
Differences between employer contributions and employer's proportionate share of system contributions	76,067	165,244
Total (prior to post-measurement date contributions)	4,108,566	969,145
City contributions subsequent to the measurement date	1,971,225	-
Total	<u>\$ 6,079,791</u>	<u>\$ 969,145</u>

\$1,971,225 was reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. 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:		
2022	\$	700,947
2023		963,928
2024		924,854
2025		578,235
2026		(28,543)
	<u>\$</u>	<u>3,139,421</u>

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2021

III. OTHER INFORMATION (Continued)

B. Pension plan (Continued)

5. Actuarial Assumptions

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial methods and assumptions:

Valuation Date	December 31, 2018
Measurement Date	June 30, 2020
Experience Study	2018, published July 24, 2019
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	Fair value of assets
Actuarial Assumptions:	
Inflation Rate	2.50%
Expected investment Rate of Return	7.20%
Discount Rate	7.20%
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: Pub-2010 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Active members: Pub-2010 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Disabled retirees: Pub-2010 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation

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 2018 Experience Study which reviewed experience for the four-year period ending on December 31, 2018.

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2021

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 May 2019 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	9.60%	4.07%
Short-Term Bonds	9.60	3.68
Bank/Leveraged Loans	3.60	5.19
High Yield Bonds	1.20	5.74
Large/Mid Cap US Equities	16.17	6.30
Small Cap US Equities	1.35	6.68
Micro Cap US Equities	1.35	6.79
Developed Foreign Equities	13.48	6.91
Emerging Market Equities	4.24	7.69
Non-US Small Cap Equities	1.93	7.25
Private Equity	17.50	8.33
Real Estate (Property)	10.00	5.55
Real Estate (REITS)	2.50	6.69
Hedge Fund of Funds – Diversified	1.50	4.06
Hedge Fund – Event-driven	0.38	5.59
Timber	1.13	5.61
Farmland	1.13	6.12
Infrastructure	2.25	6.67
Commodities	1.13	3.79
	<u>100%</u>	
Assumed Inflation – Mean		2.50%

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2021

III. OTHER INFORMATION (Continued)

B. Pension plan (Continued)

7. Discount Rate

The discount rate used to measure the total pension liability was 7.2 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

8. Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.2 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 (6.2 percent) or 1-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.2%)	Discount Rate (7.2%)	1% Increase (8.2%)
City's proportionate share of the net pension liability (asset)	\$ 25,536,960	\$ 17,197,562	\$ 14,468,902

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

On June 11, 2019, Senate Bill 1049 was enacted by the People of the State of Oregon. The elements of the bill include policy and program changes which will affect the City's pension plan. One key change is a onetime 22-year re-amortization of the unamortized actuarial liability for Tier 1 and Tier 2 employees and contribution rate adjustments. In August 2019, a petition was filed with the Oregon Supreme Court challenging the constitutionality of certain portions of SB 1049. The Oregon Supreme Court upheld the legislation on August 6, 2020.

C. Postemployment Benefits Other than Pensions

The other postemployment benefits (OPEB) for the City consists of 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, 2021

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:

	<u>Implicit Rate Subsidy Plan</u>	<u>PERS RHIA Plan</u>	<u>Total OPEB Reported</u>
Net OPEB asset	<u>\$ -</u>	<u>\$ 86,655</u>	<u>\$ 86,655</u>
Deferred outflows of resources:			
Contributions after the measurement date	\$ 3,668	\$ 1,735	\$ 5,403
Difference in experience	46,514	9,637	56,151
Change in assumptions	<u>16,495</u>	<u>27,036</u>	<u>43,531</u>
Total deferred outflows of resources	<u>\$ 66,677</u>	<u>\$ 38,408</u>	<u>\$ 105,085</u>
 Total OPEB Liability	 <u>\$ (674,469)</u>	 <u>\$ -</u>	 <u>\$ (674,469)</u>
Deferred inflows of resources:			
Change in assumptions	\$ (68,228)	\$ (4,606)	\$ (72,834)
Net investment differences	-	(534)	(534)
Difference in experience	<u>-</u>	<u>(8,859)</u>	<u>(8,859)</u>
Total deferred inflows of resources	<u>\$ (68,228)</u>	<u>\$ (13,999)</u>	<u>\$ (82,226)</u>
OPEB expense (benefit)	<u>\$ 61,086</u>	<u>\$ (424)</u>	<u>\$ 60,662</u>
(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 \$86,655 and total OPEB liability of \$674,469 were measured as of June 30, 2020.

For the fiscal year ended June 30, 2021, the City recognized a net OPEB expense from these plans of \$60,662. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to these OPEB plans from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions, or inputs	\$ 43,531	\$ 72,834
Net investment differences	-	534
Difference in experience	<u>56,151</u>	<u>8,859</u>
	99,682	82,226
Contributions subsequent to measurement date	<u>5,403</u>	<u>-</u>
Total	<u>\$ 105,085</u>	<u>\$ 82,226</u>

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2021

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 \$5,403 resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liabilities in the year ended June 30, 2022. 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:	
2022	\$ 2,832
2023	8,665
2024	1,254
2025	732
2026	(2,308)
Thereafter	<u>6,320</u>
Total	<u>\$ 17,495</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 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, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	1
Active employees	<u>119</u>
	<u>120</u>

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2021

III. OTHER INFORMATION (Continued)

C. Postemployment Benefits Other than Pensions (Continued)

Implicit Rate Subsidy (continued)

3. Total OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources:

For the fiscal year ended June 30, 2021, the City recognized OPEB expense from this plan of \$61,086. At June 30, 2021, 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
Changes in assumptions	\$ -	\$ 68,228
Difference in experience	46,514	-
Change in assumptions	16,495	-
	63,009	68,228
Contributions subsequent to measurement date	3,668	-
Total	<u>\$ 66,677</u>	<u>\$ 68,228</u>

Deferred outflows of resources related to OPEB of \$3,668 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follow:

Year Ended		
June 30:		
2022	\$	(2,308)
2023		(2,308)
2024		(2,308)
2025		(2,308)
2026		(2,308)
Thereafter		6,320
Total	<u>\$</u>	<u>(5,220)</u>

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2021

III. OTHER INFORMATION (Continued)

C. Postemployment Benefits Other than Pensions (Continued)

Implicit Rate Subsidy (continued)

4. Actuarial Assumptions and Other Inputs

The Implicit Subsidy OPEB liability in the July 1, 2020 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry age normal
Inflation	2.5 percent
Salary increases	3.5 percent
Healthy mortality	Pub-2010 General and Safety Employee and Healthy Retiree tables, sex distinct for members and dependents, with a on-year setback for male general service employees and female safety employees.
Discount rate	2.21 percent (change from 3.50 percent in previous measurement period)
Healthcare cost trend rate	Medical and vision: 3.75 percent per year, increasing to 4.0 percent. Dental: -1.25 percent for 2020, 4.0 percent thereafter.

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, 2020	\$ 593,700
Change for the year:	
Service cost	41,241
Interest on total OPEB liability	22,153
Effect of assumptions, changes or inputs	21,398
Benefit payments	(4,023)
Balance as of June 30, 2021	<u>\$ 674,469</u>

Changes in assumptions is the result of the change in the discount rate from 3.50 to 2.21.

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2021

III. OTHER INFORMATION (Continued)

C. Postemployment Benefits Other than Pensions (Continued)

Implicit Rate Subsidy (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 (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate. A similar sensitivity analysis is then presented for changes in the healthcare trend assumption.

Discount Rate:	<u>1% Decrease (1.21%)</u>	<u>Current Discount Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
Total OPEB Liability	\$ 735,284	\$ 674,469	\$ 617,262
Healthcare Cost Trend:	<u>1% Decrease</u>	<u>Current Healthcare Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 586,296	\$ 674,469	\$ 778,924

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

<https://www.oregon.gov/pers/pages/financials/actuarial-financial-information.aspx>

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2021

III. OTHER INFORMATION (Continued)

C. Postemployment Benefits Other than Pensions (Continued)

PERS Retirement Health Insurance Account (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, 2018 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2019. The City's contribution rates for the period were 0.06% for Tier One/Tier Two members, and 0.00% for OPSRP members. The City's total for the year ended June 30, 2021 contributions was \$1,735.

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

At June 30, 2021, the City reported an asset of \$86,655 for its proportionate share of the OPERS net OPEB asset. The net OPEB asset was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2018 rolled forward to June 30, 2020. 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, 2021, the City's proportionate share was 0.0425 %, which is an decrease from its proportion of 0.0690% as of June 30, 2020.

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2021

III. OTHER INFORMATION (Continued)

C. Postemployment Benefits Other than Pensions (Continued)

PERS Retirement Health Insurance Account (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, 2021, the City recognized OPEB benefit from this plan of \$424. At June 30, 2021, 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
Changes in proportionate share	\$ 27,036	\$ 534
Changes of assumptions, or inputs	-	4,606
Net investment differences	9,637	-
Difference between expected and actual experience	-	8,859
	<u>36,673</u>	<u>13,999</u>
Contributions subsequent to measurement date	1,735	-
Total	<u><u>\$ 38,408</u></u>	<u><u>\$ 13,999</u></u>

Deferred outflows of resources related to OPEB of \$1,735 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, 2021. 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:		
2022	\$	5,140
2023		10,973
2024		3,562
2025		<u>3,040</u>
Total	<u><u>\$</u></u>	<u><u>22,715</u></u>

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2021

III. OTHER INFORMATION (Continued)

C. Postemployment Benefits Other than Pensions (Continued)

5. Actuarial Methods and Assumptions

The total OPEB liability in the December 31, 2018 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 basis over a closed 10 year period
Asset valuation method	Fair value of assets
Inflation	2.5 percent
Investment rate of return	7.2 percent
Salary increases	3.5 percent
Mortality	Healthy retirees and beneficiaries: Pub-2010 Healthy retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation Active members: Pub-2010 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation Disabled retirees: Pub-2010 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation

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 2018 experience study which reviewed experience for the four-year period ending on December 31, 2018.

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2021

III. OTHER INFORMATION (Continued)

C. Postemployment Benefits Other than Pensions (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 May 2019 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 was 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	9.60%	4.07%
Short-Term Bonds	9.60	3.68
Bank/Leveraged Loans	3.60	5.19
High Yield Bonds	1.20	5.74
Large/Mid Cap US Equities	16.17	6.30
Small Cap US Equities	1.35	6.68
Micro Cap US Equities	1.35	6.79
Developed Foreign Equities	13.48	6.91
Emerging Market Equities	4.24	7.69
Non-US Small Cap Equities	1.93	7.25
Private Equity	17.50	8.33
Real Estate (Property)	10.00	5.55
Real Estate (REITS)	2.50	6.69
Hedge Fund of Funds – Diversified	1.50	4.06
Hedge Fund – Event-driven	0.38	5.59
Timber	1.13	5.61
Farmland	1.13	6.12
Infrastructure	2.25	6.67
Commodities	1.13	3.79
	<u>100%</u>	
Assumed Inflation – Mean		2.50%

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2021

III. OTHER INFORMATION (Continued)

C. Postemployment Benefits Other than Pensions (Continued)

7. Discount Rate

The discount rate used to measure the total OPEB liability was 7.2% 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 7.20%, 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 (6.20%) or 1-percentage-point higher (8.20%) than the current rate:

Discount Rate:	1% Decrease (6.2%)	Current Discount Rate (7.2%)	1% Increase (8.2%)
Total OPEB Liability (Asset)	\$ (69,959)	\$ (86,655)	\$ (100,930)

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.

D. Investment in Joint Ventures

The City has ownership positions in two joint ventures with surrounding governmental organizations. The first is the Willamette Intake Facility (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.

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2021

III. OTHER INFORMATION (Continued)

D. Investment in Joint Ventures (Continued)

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 Facility Commission

Willamette Intake Facilities Commission (the Commission or 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.

The following percentages were in effect at June 30, 2021:

Tualatin Valley Water District	39.4 %
City of Wilsonville	16.7
City of Sherwood	6.5
City of Tigard	10.0
City of Hillsboro	24.1
City of Beaverton	3.3

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.

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2021

III. OTHER INFORMATION (Continued)

D. Investment in Joint Ventures (Continued)

2. Willamette River Water Coalition (Continued)

Operation and maintenance expense is determined on a unit basis by the Coalition. Each joint venture'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, 2021:

City of Tigard	23.23 %
City of Tualatin	16.29
City of Sherwood	15.72
Tualatin Valley Water District	44.76

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

	Willamette Intake Facility Commission	Willamette River Water Coalition	Total
Investment in joint ventures at June 30, 2020	\$ 648,565	\$ 7,263	\$ 655,828
Contributions	399,095	-	399,095
Income (loss) for the year	(7,048)	(1,119)	(8,167)
Investment in joint ventures at June 30, 2021	<u>\$ 1,040,612</u>	<u>\$ 6,144</u>	<u>\$ 1,046,756</u>

IV. JOINTLY GOVERNED ORGANIZATIONS

The City has one leadership position in the jointly governed organization Washington County Consolidated Communications Agency (WCCCA) which provides 9-1-1 service and public safety communications for police, fire, and emergency medical service for the participating jurisdictions and for other governments under contract. Financial statements can be obtained from WCCCA at <http://www.wccca.com/departments/administration/finance/>.

WCCCA was formed in 1985, under the authority of Oregon Revised Statutes (ORS) 190 by the execution of an Intergovernmental Agreement originally between Washington County and the cities of Beaverton, Cornelius, Hillsboro, North Plains, and Washington County Rural Fire Protection Districts Nos. 1 (now Tualatin Valley Fire and Rescue, TVF&R), and 2. WCCCA subsequently entered into intergovernmental agreements with the cities of Banks, Durham, Forest Grove, King City, Sherwood, Tigard, Gaston, and Tualatin. Subsequent Fire Districts joining the agency are Banks, Cornelius, Forest Grove, and Gaston.

Payments for goods and services during the year ended June 30, 2021 was \$236,209.

CITY OF SHERWOOD, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2021

V. 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, 2021 financial statements.

The City has no significant outstanding commitments at June 30, 2021 related to construction contracts.

VI. OVER-EXPENDITURE OF APPROPRIATIONS

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

	<u>Appropriation Over Budget</u>
Street Capital Fund - Transfers Out	\$ 13,057
General Fund - Community Development	49,416
Broadband Fund - Operations	<u>662,484</u>
Total	<u>\$ 724,957</u>

VII. SUBSEQUENT EVENT

On July 20, 2021, the City issued \$18,930,000 of Full Faith and Credit Obligations, Series 2021A and \$19,640,000 Full Faith and Credit Obligations, Series 2021B. The Series 2021A obligations were issued to finance the planned expansion of Broadband infrastructure and the Series 2021B obligations were issued to initiate the 2021 Urban Renewal Agency projects.

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, 2021**

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Property taxes	\$6,587,917	\$6,587,917	\$ 6,594,623	\$ 6,706
Franchises and fees	2,064,152	2,064,152	2,111,047	46,895
Intergovernmental	2,136,341	4,369,083	4,243,217	(125,866)
Charges for services	1,711,855	1,711,855	2,010,370	298,515
Fines and forfeitures	2,511,025	2,511,025	2,111,824	(399,201)
Interest	116,880	116,880	56,128	(60,752)
Miscellaneous	44,237	44,237	45,879	1,642
TOTAL REVENUES	15,172,407	17,405,149	17,173,088	(232,061)
EXPENDITURES:				
Administration	2,884,730	3,032,730	2,733,047	299,683
Community development	2,336,941	2,848,232	2,897,648	(49,416)
Public safety	5,034,881	5,034,881	4,785,637	249,244
Community services	2,606,891	2,606,891	2,399,350	207,541
Public works	2,886,599	2,934,616	2,524,944	409,672
Contingency	758,620	758,620	-	758,620
TOTAL EXPENDITURES	16,508,662	17,215,970	15,340,626	1,875,344
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,336,255)	189,179	1,832,462	1,643,283
OTHER FINANCING SOURCES:				
Transfers in	4,629	4,629	4,629	-
Sale of capital assets	-	-	10,946	10,946
TOTAL OTHER FINANCING SOURCES	4,629	4,629	15,575	10,946
NET CHANGE IN FUND BALANCE	(1,331,626)	193,808	1,848,037	1,654,229
FUND BALANCE - beginning of year	4,862,087	5,325,013	5,325,013	-
FUND BALANCE - end of year	\$3,530,461	\$5,518,821	\$ 7,173,050	\$ 1,654,229

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, 2021

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Intergovernmental	\$ 1,991,302	\$ 1,991,302	\$ 1,874,607	\$ (116,695)
Charges for services	669,700	669,700	739,211	69,511
Fines, interest and other	38,838	38,838	23,932	(14,906)
Miscellaneous	-	-	971	971
TOTAL REVENUES	<u>2,699,840</u>	<u>2,699,840</u>	<u>2,638,721</u>	<u>(61,119)</u>
EXPENDITURES:				
Personnel services	538,325	538,325	514,775	23,550
Materials and services	1,257,949	1,257,949	1,165,740	92,209
Capital outlay	461,256	461,256	467,378	(6,122) *
Contingency	134,992	24,992	-	24,992
TOTAL EXPENDITURES	<u>2,392,522</u>	<u>2,282,522</u>	<u>2,147,893</u>	<u>134,629</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>307,318</u>	<u>417,318</u>	<u>490,828</u>	<u>73,510</u>
OTHER FINANCING (USES):				
Transfers out	<u>(600,000)</u>	<u>(710,000)</u>	<u>(710,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(292,682)</u>	<u>(292,682)</u>	<u>(219,172)</u>	<u>73,510</u>
FUND BALANCE - beginning of year	<u>2,559,184</u>	<u>2,805,943</u>	<u>2,805,943</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 2,266,502</u>	<u>\$ 2,513,261</u>	<u>\$ 2,586,771</u>	<u>\$ 73,510</u>

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

CITY OF SHERWOOD
Sherwood, Oregon

URBAN RENEWAL OPERATIONS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Property taxes	\$ 2,800,000	\$2,800,000	\$ 2,847,473	\$ 47,473
Fines, interest and other	9,500	9,500	9,217	(283)
TOTAL REVENUES	<u>2,809,500</u>	<u>2,809,500</u>	<u>2,856,690</u>	<u>47,190</u>
EXPENDITURES:				
Personnel services	91,982	91,982	49,473	42,509
Materials and services	34,643	34,643	26,538	8,105
Debt service	2,359,400	2,359,400	2,354,399	5,001
Contingency	140,475	140,475	-	140,475
TOTAL EXPENDITURES	<u>2,626,500</u>	<u>2,626,500</u>	<u>2,430,410</u>	<u>196,090</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>183,001</u>	<u>183,001</u>	<u>426,280</u>	<u>243,279</u>
NET CHANGE IN FUND BALANCE	183,001	183,001	426,280	243,279
FUND BALANCE - beginning of year	<u>636,465</u>	<u>636,465</u>	<u>700,918</u>	<u>64,453</u>
FUND BALANCE - end of year	<u>\$ 819,466</u>	<u>\$ 819,466</u>	<u>\$ 1,127,198</u>	<u>\$ 307,732</u>

CITY OF SHERWOOD

Sherwood, Oregon

CITY OF SHERWOOD, OREGON

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

For the last eight fiscal years ¹

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
2021	0.0788%	\$ 17,197,562	\$8,684,553	198.02%	75.79%
2020	0.0836	14,468,902	8,048,742	179.77	80.23
2019	0.0793	12,015,387	7,539,467	159.37	82.07
2018	0.0833	11,231,146	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

CITY OF SHERWOOD, OREGON

SCHEDULE OF PLAN CONTRIBUTIONS

For the last eight 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
2021	\$ 1,971,225	\$ 1,971,225	-	\$ 9,624,496	20.48%
2020	1,775,254	1,775,254	-	8,684,553	20.44
2019	1,265,497	1,265,497	-	8,048,742	15.72
2018	1,197,513	1,197,513	-	7,539,467	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 four fiscal years ^{1,2}

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 41,241	\$ 36,691	\$ 40,813	\$ 43,525
Interest	22,153	21,549	19,173	14,878
Actual experience	-	-	37,097	-
Changes of assumptions or other inputs	21,398	20,779	(63,606)	(38,570)
Benefit payments	(4,023)	(10,784)	(5,489)	(1,697)
Net change in OPEB Liability	80,769	68,235	27,988	18,136
Total OPEB Liability-beginning	593,700	525,465	497,476	479,340
Total OPEB Liability-ending	<u>\$ 674,469</u>	<u>\$ 593,700</u>	<u>\$ 525,465</u>	<u>\$ 497,476</u>
City's Covered Payroll	\$8,684,553	\$8,048,742	\$7,539,467	\$7,239,308
Total OPEB Liability as a percentage of its covered payroll	7.8%	7.4%	7.0%	6.9%

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
Oregon Public Employees Retirement System, Retirement Health Insurance Account
For the last five 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
2021	0.0420%	\$ (86,655)	\$ 8,684,553	-1.00%	150.05%
2020	0.0690	(133,416)	8,048,742	-1.66	144.38
2019	0.0674	(75,206)	7,539,467	-1.00	124.01
2018	0.0667	(27,845)	7,239,308	-0.38	108.89
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 2021 is July 1, 2019 - June 30, 2020

CITY OF SHERWOOD

Sherwood, Oregon

SCHEDULE OF THE CITY'S CONTRIBUTIONS**Oregon Public Employees Retirement System, Retirement Health Insurance Account****For the last seven 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
2021	\$ 1,735	\$ 1,735	-	\$ 9,624,496	0.02%
2020	3,037	3,037	-	8,684,553	0.03
2019	34,219	34,219	-	8,048,742	0.43
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

CITY OF SHERWOOD
Sherwood, Oregon

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2021

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 over expend its appropriations by \$49,416 in the General Fund Community Development department.

II. 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 Assumptions and Methods Used to Actuarially Determine Contributions:

Actuarial Valuation	December 31, 2017	December 31, 2015	December 31, 2013
Effective	July 2019 - June 2021	July 2017 - June 2019	July 2015 - June 2017
Actuarial cost method:	Entry Age Normal	Entry Age Normal	Entry Age Normal
Actuarial valuation method:	Fair Value	Fair Value	Fair Value
Actuarial assumption:			
Inflation rate	2.50 percent	2.50 percent	2.75 percent
Projected salary increases	3.50 percent	3.50 percent	3.75 percent
Investment rate of return	7.20 percent	7.50/7.20 percent	7.75 percent

III. 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 3.5% to 2.21%.

OTHER SUPPLEMENTARY INFORMATION

CITY OF SHERWOOD
Sherwood, Oregon

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2021**

	Special Revenue Funds			Capital Project Funds		
	Debt Service	Transient Lodging Tax	Grant	General Construction	Street Capital	Totals
ASSETS:						
Cash and investments	\$ 76,798	\$ 58,873	\$ 6,341	\$ 1,784,601	\$ 5,431,112	\$ 7,357,725
Receivables	5,785	11,974	17,965	13,356	10	49,090
TOTAL ASSETS	\$ 82,583	\$ 70,847	\$ 24,306	\$ 1,797,957	\$ 5,431,122	\$ 7,406,815
LIABILITIES:						
Accounts payable	\$ -	\$ -	\$ -	\$ 1,751	\$ 820	\$ 2,571
Payroll payable	-	-	-	3,620	2,334	5,954
TOTAL LIABILITIES	-	-	-	5,371	3,154	8,525
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	3,895	-	-	-	-	3,895
TOTAL DEFERRED INFLOWS OF RESOURCES	3,895	-	-	-	-	3,895
FUND BALANCES:						
Restricted	78,688	70,847	-	1,182,410	4,173,147	5,505,092
Committed	-	-	24,306	232,850	215,309	472,465
Assigned	-	-	-	377,326	1,039,512	1,416,838
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	78,688	70,847	24,306	1,792,586	5,427,968	7,394,395
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 82,583	\$ 70,847	\$ 24,306	\$ 1,797,957	\$ 5,431,122	\$ 7,406,815

CITY OF SHERWOOD
Sherwood, Oregon

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021

	Special Revenue Funds			Capital Project Funds		
	Debt Service	Transient Lodging Tax	Grant	General Construction	Street Capital	Totals
REVENUES:						
Property taxes	\$ 272,699	\$ -	\$ -	\$ -	\$ -	\$ 272,699
Franchises and fees	-	-	-	30,360	-	30,360
Intergovernmental	-	60,706	72,691	-	-	133,397
Charges for services	-	-	-	66,201	59,894	126,095
Infrastructure development fees	-	-	-	133,955	814,628	948,583
Interest and Other	624	209	9	14,349	49,597	64,788
TOTAL REVENUES	<u>273,323</u>	<u>60,915</u>	<u>72,700</u>	<u>244,865</u>	<u>924,119</u>	<u>1,575,922</u>
EXPENDITURES:						
Current						
Public works	-	-	92,581	84,653	296,254	473,488
Noncurrent						
Capital outlay	-	-	-	1,564,111	441,157	2,005,268
Debt service	270,299	-	-	-	-	270,299
TOTAL EXPENDITURES	<u>270,299</u>	<u>-</u>	<u>92,581</u>	<u>1,648,764</u>	<u>737,411</u>	<u>2,749,055</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,024</u>	<u>60,915</u>	<u>(19,881)</u>	<u>(1,403,899)</u>	<u>186,708</u>	<u>(1,173,133)</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	1,618,057	710,000	2,328,057
Transfers out	-	-	(4,629)	-	(1,618,057)	(1,622,686)
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>(4,629)</u>	<u>1,618,057</u>	<u>(908,057)</u>	<u>705,371</u>
NET CHANGE IN FUND BALANCE	<u>3,024</u>	<u>60,915</u>	<u>(24,510)</u>	<u>214,158</u>	<u>(721,349)</u>	<u>(467,762)</u>
FUND BALANCE - beginning of year	<u>75,664</u>	<u>9,932</u>	<u>48,816</u>	<u>1,578,428</u>	<u>6,149,317</u>	<u>7,862,157</u>
FUND BALANCE - end of year	<u>\$ 78,688</u>	<u>\$ 70,847</u>	<u>\$ 24,306</u>	<u>\$ 1,792,586</u>	<u>\$ 5,427,968</u>	<u>\$ 7,394,395</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, 2021**

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Property taxes	\$283,815	\$283,815	\$272,699	\$ (11,116)
Interest	1,160	1,160	624	(536)
TOTAL REVENUES	<u>284,975</u>	<u>284,975</u>	<u>273,323</u>	<u>(11,652)</u>
EXPENDITURES:				
Debt service	<u>270,300</u>	<u>270,300</u>	<u>270,299</u>	<u>1</u>
TOTAL EXPENDITURES	<u>270,300</u>	<u>270,300</u>	<u>270,299</u>	<u>1</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>14,675</u>	<u>14,675</u>	<u>3,024</u>	<u>(11,651)</u>
NET CHANGE IN FUND BALANCE	14,675	14,675	3,024	(11,651)
FUND BALANCE - beginning of year	<u>69,105</u>	<u>75,664</u>	<u>75,664</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 83,780</u>	<u>\$ 90,339</u>	<u>\$ 78,688</u>	<u>\$ (11,651)</u>

CITY OF SHERWOOD

Sherwood, Oregon

**TRANSIENT LODGING TAX FUND
SCHEDULE OF REVENUES,
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021**

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental	\$ 51,993	\$ 51,993	\$ 60,706	\$ 8,713
Interest and other	435	435	209	(226)
TOTAL REVENUES	<u>52,428</u>	<u>52,428</u>	<u>60,915</u>	<u>8,487</u>
NET CHANGE IN FUND BALANCE	52,428	52,428	60,915	8,487
FUND BALANCE - beginning of year	<u>10,708</u>	<u>9,932</u>	<u>9,932</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 63,136</u>	<u>\$ 62,360</u>	<u>\$ 70,847</u>	<u>\$ 8,487</u>

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, 2021

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Intergovernmental	\$ 74,000	\$ 74,000	\$ 72,691	\$ (1,309)
Interest and other	65	65	9	(56)
TOTAL REVENUES	<u>74,065</u>	<u>74,065</u>	<u>72,700</u>	<u>(1,365)</u>
EXPENDITURES:				
Materials and services	92,581	92,581	92,581	-
Contingency	3,703	3,703	-	3,703
TOTAL EXPENDITURES	<u>96,284</u>	<u>96,284</u>	<u>92,581</u>	<u>3,704</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(22,219)</u>	<u>(22,219)</u>	<u>(19,881)</u>	<u>2,338</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(4,629)</u>	<u>(4,629)</u>	<u>(4,629)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (U	<u>(4,629)</u>	<u>(4,629)</u>	<u>(4,629)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(26,848)</u>	<u>(26,848)</u>	<u>(24,510)</u>	<u>2,338</u>
FUND BALANCE - beginning of year	<u>48,300</u>	<u>48,816</u>	<u>48,816</u>	<u>-</u>
FUND BALANCE - end of year	<u><u>\$ 21,452</u></u>	<u><u>\$ 21,968</u></u>	<u><u>\$ 24,306</u></u>	<u><u>\$ 2,338</u></u>

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, 2021

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Franchises and fees	\$ 31,000	\$ 31,000	\$ 30,360	\$ (640)
Charges for services	22,000	22,000	66,201	44,201
Infrastructure development fees	250,000	250,000	133,955	(116,045)
Interest and other	23,700	23,700	14,349	(9,351)
TOTAL REVENUES	326,700	326,700	244,865	(81,835)
EXPENDITURES:				
Personnel services	51,641	51,641	43,948	7,693
Materials and services	53,585	53,585	40,705	12,880
Capital outlay	278,163	1,855,302	1,564,111	291,191
TOTAL EXPENDITURES	383,389	1,960,528	1,648,764	311,764
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(56,689)	(1,633,828)	(1,403,899)	229,930
OTHER FINANCING SOURCES (USES):				
Transfers in	200,000	1,605,000	1,618,057	13,057
NET CHANGE IN FUND BALANCE	143,311	(28,828)	214,158	242,986
FUND BALANCE - beginning of year	1,401,036	1,578,428	1,578,428	-
FUND BALANCE - end of year	\$1,544,347	\$ 1,549,600	\$1,792,586	\$ 242,986

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

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, 2021

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Charges for services	\$ 59,000	\$ 59,000	\$ 59,894	\$ 894
Infrastructure development fees	745,334	745,334	814,628	69,294
Fines, interest and other	101,000	101,000	49,597	(51,403)
TOTAL REVENUES	<u>905,334</u>	<u>905,334</u>	<u>924,119</u>	<u>18,785</u>
EXPENDITURES:				
Personnel services	81,118	81,118	82,768	(1,650) *
Materials and services	57,259	57,259	213,486	(156,227) *
Capital outlay	1,558,883	3,084,736	441,157	2,643,579 *
TOTAL EXPENDITURES	<u>1,697,260</u>	<u>3,223,113</u>	<u>737,411</u>	<u>2,485,702</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(791,926)</u>	<u>(2,317,779)</u>	<u>186,708</u>	<u>2,504,487</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	600,000	710,000	710,000	-
Transfers out	(200,000)	(1,605,000)	(1,618,057)	(13,057)
TOTAL OTHER FINANCING SOURCES (USES)	<u>400,000</u>	<u>(895,000)</u>	<u>(908,057)</u>	<u>(13,057)</u>
NET CHANGE IN FUND BALANCE	<u>(391,926)</u>	<u>(3,212,779)</u>	<u>(721,349)</u>	<u>2,491,430</u>
FUND BALANCE - beginning of year	<u>6,309,250</u>	<u>6,149,317</u>	<u>6,149,317</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 5,917,324</u>	<u>\$ 2,936,538</u>	<u>\$ 5,427,968</u>	<u>\$ 2,491,430</u>

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

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, 2021

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Charges for services	\$ 5,547,393	\$ 5,547,393	\$ 6,402,114	\$ 854,721
Infrastructure development fees	466,666	466,666	331,183	(135,483)
Interest	218,100	218,100	137,297	(80,803)
TOTAL REVENUES	<u>6,232,159</u>	<u>6,232,159</u>	<u>6,870,594</u>	<u>638,435</u>
EXPENDITURES:				
Operations	3,492,494	3,492,494	3,294,783	197,711
Capital	7,068,124	7,068,124	936,526	6,131,598
Debt Service	1,763,759	1,959,744	1,717,759	241,985
Contingency	280,695	84,710	-	84,710
TOTAL EXPENDITURES	<u>12,605,072</u>	<u>12,605,072</u>	<u>5,949,068</u>	<u>6,656,004</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(6,372,913)</u>	<u>(6,372,913)</u>	<u>921,526</u>	<u>7,294,439</u>
OTHER FINANCING SOURCES (USES):				
Issuance of refunding debt	-	-	10,735,580	10,735,580
Payment to escrow account for refunding	-	-	(10,590,210)	(10,590,210)
Bond miscellaneous charges	-	-	(142,234)	(142,234)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>3,136</u>	<u>3,136</u>
NET CHANGE IN FUND BALANCE	<u>(6,372,913)</u>	<u>(6,372,913)</u>	<u>924,662</u>	<u>7,297,575</u>
FUND BALANCE - beginning of year	<u>13,236,504</u>	<u>15,537,148</u>	<u>15,537,148</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 6,863,590</u>	<u>\$ 9,164,235</u>	<u>\$ 16,461,810</u>	<u>\$ 7,297,575</u>

CITY OF SHERWOOD
Sherwood, Oregon

WATER FUND
RECONCILIATION OF SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
TO CHANGE IN NET POSITION AND TO NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

Change in fund balance - budgetary basis	\$ 924,662
Pension expense	(77,629)
OPEB expense	7
Depreciation expense	(737,715)
Expenditures capitalized	884,995
Contributed assets	324,938
Contributions to joint ventures	399,095
City's share of net loss of joint ventures	(8,167)
Issuance of long term debt and related premium	(10,735,580)
Principal payments on long-term obligations	971,790
Payment to escrow account for refunding	10,590,210
Change in accrued interest on long-term obligations	12,996
Change in compensated absences	2,613
Amortization of debt premium	241,545
Change in net position - GAAP basis	<u>\$ 2,793,760</u>
Fund balance - budgetary basis	\$ 16,461,810
Net pension liability	(907,711)
OPEB asset	4,192
OPEB liability	(32,620)
Deferred outflows-Pension	320,898
Deferred outflows-OPEB	5,081
Deferred inflows-Pension	(51,152)
Deferred inflows-OPEB	(3,975)
Investment in joint ventures	1,046,756
Capital assets	51,774,032
Long-term obligations and related premium	(17,160,875)
Compensated absences	(56,157)
Accrued interest on long term obligations	(39,924)
Net position - GAAP basis	<u>\$ 51,360,353</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, 2021

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Charges for services	\$ 728,150	\$ 728,150	\$ 785,373	\$ 57,223
Intergovernmental	1,700	1,700	138,029	136,329
Infrastructure development fees	55,701	55,701	38,288	(17,413)
Interest and other	52,758	52,758	32,118	(20,640)
TOTAL REVENUES	<u>838,309</u>	<u>838,309</u>	<u>993,808</u>	<u>155,499</u>
EXPENDITURES:				
Operations	893,218	893,218	676,085	217,133
Capital	1,792,424	2,614,697	382,290	2,232,407
Contingency	37,293	12,705	-	12,705
TOTAL EXPENDITURES	<u>2,722,935</u>	<u>3,520,620</u>	<u>1,058,375</u>	<u>2,462,245</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,884,626)</u>	<u>(2,682,311)</u>	<u>(64,567)</u>	<u>2,617,744</u>
NET CHANGE IN FUND BALANCE	(1,884,626)	(2,682,311)	(64,567)	2,617,744
FUND BALANCE - beginning of year	<u>2,687,575</u>	<u>3,485,260</u>	<u>3,485,260</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 802,949</u>	<u>\$ 802,949</u>	<u>\$ 3,420,693</u>	<u>\$2,617,744</u>

CITY OF SHERWOOD

Sherwood, Oregon

**SEWER FUND
RECONCILIATION OF SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
TO CHANGE IN NET POSITION AND TO NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021**

Change in fund balance - budgetary basis	\$ (64,567)
Pension expense	(37,365)
OPEB expense	(1,496)
Depreciation expense	(186,255)
Contributed assets	352,435
Expenditures capitalized	380,514
Change in compensated absences	(5,383)
Change in net position - GAAP basis	<u>\$ 437,883</u>
Fund balance - budgetary basis	\$ 3,420,693
Net pension liability	(357,528)
OPEB asset	2,064
OPEB liability	(16,068)
Deferred outflows-Pension	126,396
Deferred outflows-OPEB	2,503
Deferred inflows-Pension	(20,147)
Deferred inflows-OPEB	(1,958)
Capital assets	14,910,139
Compensated absences	(28,543)
Net position - GAAP basis	<u>\$ 18,037,551</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, 2021

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Charges for services	\$2,060,782	\$2,060,782	\$ 2,116,224	\$ 55,442
Intergovernmental	-	-	16	16
Infrastructure development fees	38,986	38,986	11,755	(27,231)
Interest and other	93,025	93,025	51,060	(41,965)
TOTAL REVENUES	<u>2,192,793</u>	<u>2,192,793</u>	<u>2,179,055</u>	<u>(13,738)</u>
EXPENDITURES:				
Operations	1,434,323	1,989,323	1,601,810	387,513
Capital	949,601	1,287,758	426,647	861,111
Contingency	86,089	86,089	-	86,089
TOTAL EXPENDITURES	<u>2,470,013</u>	<u>3,363,170</u>	<u>2,028,457</u>	<u>1,334,713</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(277,220)</u>	<u>(1,170,377)</u>	<u>150,598</u>	<u>1,320,975</u>
NET CHANGE IN FUND BALANCE	<u>(277,220)</u>	<u>(1,170,377)</u>	<u>150,598</u>	<u>1,320,975</u>
FUND BALANCE - beginning of year	<u>4,627,354</u>	<u>5,948,518</u>	<u>5,948,518</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$4,350,134</u>	<u>\$4,778,141</u>	<u>\$ 6,099,116</u>	<u>\$ 1,320,975</u>

CITY OF SHERWOOD

Sherwood, Oregon

**STORM FUND
RECONCILIATION OF SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
TO CHANGE IN NET POSITION AND TO NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021**

Change in fund balance - budget basis	\$ 150,598
Pension expense	(51,768)
OPEB expense	(6,551)
Depreciation expense	(288,939)
Contributed assets	319,570
Expenditures capitalized	1,038,875
Change in compensated absences	(4,354)
Change in net position - GAAP basis	<u>\$ 1,157,430</u>

Fund balance - budget basis	\$ 6,099,116
Net pension liability	(597,075)
OPEB asset	3,864
OPEB liability	(30,077)
Deferred outflows-Pension	211,082
Deferred outflows-OPEB	4,687
Deferred inflows-Pension	(33,648)
Deferred inflows-OPEB	(3,705)
Capital assets	24,865,485
Compensated absences	(41,054)
Net position - GAAP basis	<u>\$ 30,478,674</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, 2021

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Charges for services	\$ 978,386	\$ 978,386	\$ 769,744	\$ (208,642)
Intergovernmental	-	346,857	346,856	(1)
Interest and other	15,000	15,000	4,013	(10,987)
TOTAL REVENUES	<u>993,386</u>	<u>1,340,243</u>	<u>1,120,613</u>	<u>(219,630)</u>
EXPENDITURES:				
Personnel services	634,511	634,511	647,964	(13,453)
Materials and services	683,615	683,615	1,706,784	(1,023,169)
Capital outlay	100,000	696,857	322,719	374,138
Debt service	159,948	159,948	159,902	46
Contingency	99,339	-	-	-
TOTAL EXPENDITURES	<u>1,677,413</u>	<u>2,174,931</u>	<u>2,837,369</u>	<u>(662,438)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(684,027)</u>	<u>(834,688)</u>	<u>(1,716,756)</u>	<u>(882,068)</u>
NET CHANGE IN FUND BALANCE	<u>(684,027)</u>	<u>(834,688)</u>	<u>(1,716,756)</u>	<u>(882,068)</u>
FUND BALANCE - beginning of year	<u>1,239,035</u>	<u>976,771</u>	<u>976,771</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 555,008</u>	<u>\$ 142,083</u>	<u>\$ (739,985)</u>	<u>\$ (882,068)</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
TO CHANGE IN NET POSITION AND TO NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021**

Change in fund balance - budgetary basis	\$ (1,716,756)
Pension expense	(179,432)
OPEB expense	(13,964)
Depreciation expense	(94,696)
Contributed assets	100,750
Expenditures capitalized	1,457,512
Principal payments on long-term debt	113,045
Change in accrued interest on long-term obligations	225
Principal payments on capital lease	44,761
Change in compensated absences	<u>(7,123)</u>
Change in net position - GAAP basis	<u><u>\$ (295,678)</u></u>
Fund balance - budgetary basis	\$ (739,985)
Net pension liability	(598,614)
OPEB asset	4,303
OPEB liability	(33,492)
Deferred outflows-Pension	211,626
Deferred outflows-OPEB	5,219
Deferred inflows-Pension	(33,735)
Deferred inflows-OPEB	(4,081)
Capital assets	3,293,674
Long-term debt obligations	(1,755,593)
Capital lease payable	(148,981)
Compensated absences	(29,155)
Accrued interest on long term obligations	<u>(3,492)</u>
Net position - GAAP basis	<u><u>\$ 167,693</u></u>

CITY OF SHERWOOD

Sherwood, Oregon

**SCHEDULE OF PROPERTY TAX TRANSACTIONS
YEAR ENDED JUNE 30, 2021**

<u>Tax Year</u>	<u>Uncollected Balances June 30, 2020</u>	<u>2020-21 Levy</u>	<u>Interest, Discounts & Adjustments</u>	<u>Collections</u>	<u>Uncollected Balances June 30, 2021</u>
2020-21	\$ -	\$ 9,967,519	\$ (293,984)	\$ (9,556,615)	\$ 116,921
2019-20	125,734	-	2,833	(91,420)	37,147
2018-19	39,503	-	3,160	(25,121)	17,542
2017-18	16,902	-	1,814	(10,356)	8,360
2016-17	8,485	-	590	(7,028)	2,047
2015-16	1,286	-	36	(394)	928
2014-15 & Prior Years	<u>5,388</u>	<u>-</u>	<u>(691)</u>	<u>(1,014)</u>	<u>3,682</u>
Total	<u>\$ 197,298</u>	<u>\$ 9,967,519</u>	<u>\$ (286,242)</u>	<u>\$ (9,691,948)</u>	<u>\$ 186,635</u>

STATISTICAL SECTION

CITY OF SHERWOOD
Sherwood, Oregon

STATISTICAL SECTION

This part of the City of Sherwood's Annual Comprehensive 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.	90-93
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.	94-97
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.	98-101
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.	102
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.	103

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

CITY OF SHERWOOD
Sherwood, Oregon

GOVERNMENT-WIDE NET POSITION
LAST TEN FISCAL YEARS

	2021	2020	2019 as restated	2018	2017 as restated	2016 as restated	2015 as restated	2014 as restated	2013	2012
Governmental activities										
Net investment in capital assets	\$ 65,022,662	\$ 63,757,275	\$ 60,754,301	\$ 60,139,362	\$ 61,929,620	\$ 62,710,458	\$ 61,788,307	\$ 50,984,632	\$ 52,838,930	\$ 53,808,000
Restricted	9,291,293	10,984,394	11,916,429	9,904,857	7,911,862	7,628,181	6,641,181	10,184,686	2,898,423	4,415,125
Unrestricted	(2,557,290)	(4,241,563)	(2,311,325)	(2,488,303)	(3,401,944)	(1,789,766)	1,903,389	5,056,030	9,119,548	6,412,820
Total governmental activities net position	<u>71,756,665</u>	<u>70,500,106</u>	<u>70,359,405</u>	<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>
Business-Type activities										
Net investment in capital assets	75,777,881	73,021,977	70,618,624	68,338,342	67,095,436	66,183,931	65,183,966	60,286,219	58,296,986	59,730,928
Restricted	9,287,398	7,684,875	7,265,320	7,493,636	5,033,233	4,827,309	4,557,700	4,508,411	3,939,196	3,218,306
Unrestricted	14,978,992	15,244,024	13,934,495	11,006,498	10,567,943	9,248,463	8,212,156	7,763,528	8,791,167	5,822,184
Total business-type activities net position	<u>100,044,271</u>	<u>95,950,876</u>	<u>91,818,439</u>	<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>
Government-wide activities										
Net investment in capital assets	140,800,543	136,779,252	131,372,925	128,477,704	129,025,056	128,894,389	126,972,273	111,270,851	111,135,916	113,538,928
Restricted	18,578,691	18,669,269	19,181,749	16,244,853	12,945,095	12,455,490	11,198,881	14,693,097	6,837,619	7,633,431
Unrestricted	12,421,702	11,002,461	11,557,170	9,671,835	7,165,999	7,458,697	10,115,545	12,819,558	17,910,715	12,235,004
Total Government-wide activities net position	<u>\$ 171,800,936</u>	<u>\$ 166,450,981</u>	<u>\$ 162,177,844</u>	<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>

CITY OF SHERWOOD
Sherwood, Oregon

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Expenses										
Governmental activities:										
Administration	\$ 2,958,468	\$ 3,515,632	\$ 2,719,604	\$ 3,042,785	\$ 3,393,624	\$ 3,762,148	\$ 2,399,678	\$ 3,029,706	\$ 2,883,811	\$ 2,516,677
Community Development	3,262,758	2,540,673	2,247,546	1,928,317	1,651,543	2,038,515	2,729,712	2,362,541	3,666,015	3,256,026
Public Safety	5,513,147	4,968,933	4,488,409	4,197,438	3,722,363	5,091,476	2,533,941	3,535,649	3,265,114	3,339,315
Community Services	2,946,844	3,175,146	2,715,447	2,395,657	2,366,718	2,695,517	1,369,635	1,423,661	1,431,554	1,446,959
Public Works	9,086,977	8,672,118	8,371,532	8,931,365	9,550,440	8,989,818	6,586,383	7,414,223	3,841,187	4,086,621
Interest on long-term obligations	214,914	369,991	489,255	563,404	655,929	743,533	817,135	809,553	1,091,076	1,081,817
Total governmental activities	23,983,108	23,242,493	21,031,793	21,058,966	21,340,617	23,321,007	16,436,484	18,575,333	16,178,757	15,727,415
Business-Type activities:										
Water	4,401,772	4,506,002	4,244,157	4,620,164	4,433,477	4,978,817	4,891,188	6,062,543	4,108,763	2,172,456
Sewer	908,360	765,629	855,669	674,672	734,672	918,172	628,522	610,702	549,521	495,249
Storm	1,341,195	1,441,561	1,291,345	1,275,830	1,118,477	1,247,121	875,105	1,094,161	942,614	929,770
Broadband	1,517,041	1,602,189	571,743	465,760	351,311	236,319	257,755	253,373	174,794	147,990
Total business-type activities	8,168,368	8,315,381	6,962,914	7,036,426	6,637,937	7,380,429	6,652,570	8,020,779	5,775,692	3,745,465
Total Expenses	\$32,151,476	\$31,557,874	\$27,994,707	\$28,095,392	\$27,978,554	\$30,701,436	\$23,089,054	\$26,596,112	\$21,954,449	\$19,472,880
Revenues										
Governmental activities:										
Charges for services										
Administration	\$ 2,199,303	\$ 2,256,822	\$ 2,150,403	\$ 1,303,801	\$ 1,333,927	\$ 1,286,213	\$ 1,066,290	\$ 1,126,323	\$ 924,121	\$ 1,281,663
Community Development	1,810,672	1,129,256	1,667,307	1,687,818	694,518	580,776	446,008	687,417	535,078	331,001
Public Safety	7,754	70,944	82,041	69,977	10,519	10,062	17,037	8,303	22,655	8,219
Community Services	267,460	490,469	608,822	521,993	442,121	355,560	313,096	335,297	279,359	276,836
Public Works	827,520	748,036	740,061	702,265	747,527	687,514	616,609	632,329	574,717	525,855
Operating grants and contributions	6,126,009	3,939,703	3,988,474	3,369,794	3,078,271	3,112,506	2,887,486	2,768,146	2,566,862	2,450,372
Capital grants and contributions	1,966,216	2,524,372	2,175,544	1,652,950	1,379,926	2,032,032	3,075,352	2,836,247	1,240,908	4,236,522
General revenues and transfers	12,034,733	12,223,592	12,422,631	12,866,746	11,942,225	10,287,396	10,977,479	11,209,402	10,256,013	10,555,508
Total governmental activities	25,239,667	23,383,194	23,835,283	22,175,344	19,629,034	18,352,059	19,399,357	19,603,464	16,399,713	19,665,976
Business-Type activities:										
Charges for services										
Water	6,402,114	5,788,867	6,078,669	5,983,630	5,450,689	5,314,365	4,839,176	4,436,294	4,511,739	4,105,712
Sewer	785,373	727,464	724,723	680,741	677,284	618,813	599,113	575,710	554,285	523,271
Storm	2,116,224	2,007,067	1,966,615	1,839,189	1,860,547	1,744,234	1,727,594	1,619,100	1,525,022	1,418,566
Broadband	769,744	912,052	473,660	447,672	445,468	523,819	487,387	385,288	318,075	310,838
Operating grants and contributions	484,901	453,910	17,014	2,678	1,129	-	-	1,806,566	-	-
Capital grants and contributions	1,478,919	1,995,326	2,303,868	1,871,684	1,012,708	1,355,831	4,167,107	1,085,743	1,045,294	488,204
General revenues, special items, transfers	224,488	563,131	590,061	352,696	(313,665)	182,774	78,211	69,954	77,208	(148,410)
Total business-type activities	12,261,763	12,447,817	12,154,610	11,178,290	9,134,160	9,739,836	11,898,588	9,978,655	8,031,623	6,698,181
Total Revenues	\$37,501,430	\$35,831,011	\$35,989,893	\$33,353,634	\$28,763,194	\$28,091,895	\$31,297,945	\$29,582,119	\$24,431,336	\$26,364,157
Change in Net Position										
Governmental Activities	\$ 1,256,559	\$ 140,701	\$ 2,803,489	\$ 1,116,378	\$ (1,711,583)	\$ (4,968,948)	\$ 2,962,873	\$ 1,028,131	\$ 220,956	\$ 3,938,561
Business-Type Activities	4,093,395	4,132,436	5,191,696	4,141,864	2,496,223	2,359,407	5,246,018	1,957,876	2,255,931	2,952,716
Total Net (Expense)/Revenue	\$ 5,349,953	\$ 4,273,136	\$ 7,995,185	\$ 5,258,242	\$ 784,640	\$ (2,609,541)	\$ 8,208,891	\$ 2,986,007	\$ 2,476,887	\$ 6,891,277

CITY OF SHERWOOD
Sherwood, Oregon

GOVERNMENTAL FUND BALANCE
LAST TEN FISCAL YEARS

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General Fund:										
Nonspendable	\$ 109,604	\$ 64,756	\$ 281,498	\$ 83,732	\$ 6,201	\$ -	\$ 179,874	\$ 328,233	\$ 475,664	\$ -
Restricted	-	-	-	-	4,274	-	138,653	209,973	176,427	127,704
Committed	44,170	44,170	26,306	17,579	12,685	5,107	-	7,230	68,596	3,500
Assigned	107,409	103,924	115,185	99,505	84,870	84,870	343	139	1,261	58,386
Unassigned	6,911,867	5,112,163	5,129,570	4,277,612	2,729,205	2,993,022	2,638,521	3,336,003	2,718,585	2,933,222
Total General Fund	<u>\$7,173,050</u>	<u>\$5,325,013</u>	<u>\$5,552,559</u>	<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>
Street Operations:										
Nonspendable	\$ -	\$ 61	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	2,586,771	2,805,882	2,518,669	2,083,695	2,294,362	2,166,298	1,744,507	1,548,453	1,284,919	987,889
Total Street Operations	<u>\$2,586,771</u>	<u>\$2,805,943</u>	<u>\$2,518,669</u>	<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>
Urban Renewal Operations:										
Nonspendable	\$ -	\$ -	\$ 119	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	1,127,198	700,918	3,063,003	2,135,138	1,792,891	1,384,041	1,619,260	3,657,028	3,778,239	1,857,026
Total Urban Renewal Ops	<u>\$1,127,198</u>	<u>\$ 700,918</u>	<u>\$3,063,122</u>	<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>
Urban Renewal Capital:										
Restricted (a)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 508,904</u>	<u>\$3,078,268</u>
Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 136,111	\$ -
Restricted	5,505,092	7,308,665	6,268,475	5,728,588	3,820,335	4,077,812	3,138,762	6,317,685	3,714,210	3,706,805
Committed	472,465	184,162	274,271	229,283	98,470	118,983	319,008	-	252,812	-
Assigned	1,416,838	369,330	45,014	32,797	-	-	-	-	244,466	251,383
Unassigned	-	-	(48,450)	-	-	(39,503)	(10,615)	-	-	-
Total Other Governmental Funds	<u>\$7,394,395</u>	<u>\$7,862,157</u>	<u>\$6,539,310</u>	<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>

(a) 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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Revenues:										
Property Taxes	\$ 9,714,795	\$ 9,906,648	\$9,920,556	\$ 9,489,203	\$ 9,814,573	\$ 7,991,519	\$ 9,155,253	\$9,250,482	\$ 8,375,347	\$ 8,400,078
Franchises and fees	2,141,407	2,048,939	2,015,453	2,015,911	1,902,899	1,899,665	1,544,203	1,592,483	1,580,367	1,574,434
Intergovernmental	6,251,221	4,031,394	4,044,660	3,437,272	3,078,271	3,191,829	2,887,486	2,768,145	2,594,181	4,999,094
Charges for services	2,875,676	2,424,657	3,055,615	2,977,299	2,070,123	1,693,715	1,411,682	1,760,618	1,474,026	1,203,285
Infrastructure development fees	948,583	2,093,142	861,646	1,022,081	765,993	1,426,131	544,726	2,836,246	666,200	233,533
Fines and forfeitures	2,111,824	2,179,178	2,244,830	1,245,800	1,158,489	1,226,410	1,047,358	1,029,052	861,904	1,224,727
Interest on investments	154,065	402,630	425,220	219,655	129,535	75,823	68,893	77,077	97,290	63,081
Miscellaneous	46,850	70,259	101,679	86,601	45,384	269,342	230,507	260,899	226,069	213,930
Total Revenues	24,244,421	23,156,847	22,669,659	20,493,822	18,965,267	17,774,434	16,890,108	19,575,002	15,875,384	17,912,162
Expenditures:										
Current:										
Administration	2,778,858	3,065,722	2,773,091	2,872,682	3,020,281	2,779,587	2,598,190	2,447,546	2,166,821	2,571,542
Community Development	2,897,648	2,315,697	1,929,042	1,803,328	1,529,152	1,587,474	1,424,929	1,126,553	992,193	784,847
Public Safety	4,785,637	4,419,277	4,072,675	3,725,426	3,425,907	3,620,713	3,379,100	3,485,772	3,259,944	3,220,610
Community Services	2,399,350	2,381,316	2,169,082	1,923,931	1,853,341	1,704,173	1,441,834	1,169,915	1,181,814	1,167,801
Public Works	4,267,920	4,518,270	3,986,942	4,514,484	3,588,700	3,204,877	2,812,908	3,116,834	2,290,168	2,431,579
Capital outlay	2,913,873	1,440,830	1,677,376	839,516	1,585,002	1,130,259	6,648,240	3,784,613	3,915,065	8,136,079
Debt service - principal	2,351,959	5,499,695	2,555,910	2,485,610	3,190,846	1,990,313	1,913,378	1,841,517	7,032,912	3,163,663
Debt service - interest	272,739	507,244	553,584	626,384	724,168	812,523	754,369	821,237	1,219,706	904,713
Total Expenditures	22,667,984	24,148,051	19,717,702	18,791,361	18,917,397	16,829,919	20,972,948	17,793,987	22,058,623	22,380,834
Excess (Deficiency) of Revenues Over Expenditures	1,576,437	(991,204)	2,951,957	1,702,461	47,870	944,515	(4,082,840)	1,781,015	(6,183,239)	(4,468,672)
Other Financing Sources (Uses)										
Issuance of long-term debt	-	-	-	-	-	-	-	-	5,619,298	4,085,972
Proceeds from capital lease	-	-	19,012	14,979	-	-	-	-	83,733	80,938
Proceeds from sale of capital assets	10,946	11,575	14,762	2,124,196	4,793	11,791	204,500	-	533,489	-
Transfers in	2,332,686	856,827	103,916	1,087,535	102,757	315,074	4,151,500	2,505,726	429,485	895,122
Transfers out	(2,332,686)	(856,827)	(103,916)	(1,084,535)	(102,757)	(249,064)	(4,151,500)	(2,505,726)	(423,787)	(677,695)
Total Other Financing Sources (Uses)	10,946	11,575	33,774	2,142,175	4,793	77,801	204,500	-	6,242,218	4,384,337
Net change in fund balances	\$ 1,587,383	\$ (979,629)	\$2,985,731	\$ 3,844,636	\$ 52,663	\$ 1,022,316	\$ (3,878,340)	\$ 1,781,015	\$ 58,979	\$ (84,335)
Ratio of debt service to non-capital expenditures	13%	26%	18%	19%	23%	18%	19%	19%	45%	29%

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 RMV (b)	Estimated RMV Per Capita	URA Assessed Value (a)
	Real Property	Personal Property, Manufactured Homes and Utility	Total Assessed Value					
2021	\$ 2,086,495,620	\$ 129,743,811	\$ 2,216,239,431	\$ 3,932,473,763	\$ 3.178	56.4 %	\$ 197,761	\$ 166,240,589
2020	1,995,919,550	110,112,101	2,106,031,651	3,456,536,834	3.123	60.9	176,399	212,708,676
2019	1,897,725,280	99,694,596	1,997,419,876	3,313,954,290	3.084	60.3	169,903	215,124,551
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

(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	
2021	\$ 3.0502	\$0.1281	\$3.1783	\$ 6.2253	\$ 0.5609	\$ 6.7862	\$ 4.8553	\$ 3.9113	\$ 8.7666	\$18.7311
2020	2.9881	0.1350	3.1231	6.4954	0.5770	7.0724	4.7565	3.9730	8.7295	18.9250
2019	2.9424	0.1417	3.0841	6.6713	0.4093	7.0806	4.6838	4.0552	8.7390	18.9037
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

- (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	2021			2012		
	Taxable Assessed Value	Rank	Percentage of Total Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Assessed Value
WalMart Stores, Inc	\$30,400,816	1	1.37%	N/A	-	0.00%
Portland General Electric	30,059,000	2	1.36	\$ 11,677,768	5	0.77
MGP X Properties LLC	22,809,370	3	1.03	N/A	-	0.00
Big Sunfield Lakes OR, LLE	19,359,700	4	0.87	14,837,640	2	0.98
Target Corporation	18,879,054	5	0.85	14,526,892	3	0.96
Creekview Crossing SPE, LLC	16,213,360	6	0.73	12,426,230	4	0.82
Sherwood Senior Living, LLC	15,540,640	7	0.70	N/A	-	0.00
Allied Systems Company	13,181,890	8	0.59	11,146,840	7	0.73
Tacke LLC & LAF LLC	13,133,726	9	0.59	N/A	-	0.00
Northwest Natural Gas Co	12,818,000	10	0.58	11,220,900	6	0.74
Retail Property Partners	N/A	-	0.00	17,929,370	1	1.18
Frontier Communications	N/A	-	0.00	11,110,000	8	0.73
JPMCC 2006-CIBC14 12th St	N/A	-	0.00	10,997,290	9	0.72
Juniper Ridge Investments	N/A	-	0.00	9,979,250	10	0.66
	<u>\$192,395,556</u>		<u>8.67%</u>	<u>\$136,763,080</u>		<u>8.29%</u>

CITY OF SHERWOOD
Sherwood, Oregon

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

<u>Fiscal Year Ended June 30</u>	<u>Taxes Levied</u>	<u>Current Tax Collections</u>	<u>Percent of Current Taxes Collected</u>	<u>Adjustments/ Discounts/Interest</u>	<u>Total Tax Collections</u>	<u>Outstanding Delinquent Taxes</u>	<u>Ratio of Total Tax Collections to Total Tax Levy</u>
City of Sherwood:							
2021	\$7,052,413	6,761,683	95.9%	\$208,005	\$6,969,688	\$ 82,726	98.8%
2020	6,697,994	6,413,071	95.7	260,534	6,673,605	24,389	98.8
2019	6,166,769	5,908,505	95.8	185,017	6,093,522	10,843	98.8
2018	5,904,596	5,627,507	95.3	272,059	5,899,566	5,030	99.9
2017	6,291,785	5,992,483	95.2	298,033	6,290,516	1,269	100
2016	6,454,287	6,157,490	95.4	296,092	6,453,582	705	100
2015	5,830,966	5,565,047	95.4	265,030	5,830,077	889	100
2014	5,640,111	5,352,760	94.9	286,491	5,639,251	860	100
2013	5,389,489	5,130,153	95.2	237,820	5,367,973	817	100
Sherwood Urban Renewal Agency:							
2021	\$2,915,106	\$2,794,932	95.9%	\$ 85,979	\$2,880,911	\$ 34,195	98.8%
2020	3,503,841	3,354,793	95.7	136,290	3,491,083	12,758	99.6
2019	3,809,873	3,650,316	95.8	114,304	3,764,620	6,699	98.8
2018	3,909,851	3,726,871	95.3	179,650	3,906,521	3,330	99.9
2017	3,857,367	3,673,871	95.2	182,718	3,856,589	778	100
2016	1,730,398	1,650,826	95.4	79,383	1,730,209	189	100
2015	3,561,323	3,398,911	95.4	162,026	3,560,937	386	100
2014	3,891,961	3,693,675	94.9	197,864	3,891,539	422	100
2013	3,237,484	3,081,701	95.2	142,858	3,237,484	350	100

Source: Washington County Assessment and Taxation

CITY OF SHERWOOD
Sherwood, Oregon

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

Fiscal Year Ended June 30	Bonded Debt (a)			Loans/Notes Payable (b)			Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service General Governmental Expenditures	
	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service			Bonded Debt	Total Debt
2021	\$ 780,000	\$ 44,606	\$ 824,606	\$ 1,576,960	\$ 228,134	\$ 1,805,094	\$ 2,629,700	22,667,984	3.6%	11.6%
2020	255,000	15,700	270,700	6,444,057	1,213,411	7,657,468	7,928,168	24,148,051	1.1%	32.8%
2019	245,000	24,475	269,475	2,310,910	529,109	2,840,019	3,109,494	19,717,702	1.4%	15.8%
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%

(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	Bonded Debt (1)	Less Debt Service Fund	Net Bonded Debt	Governmental Activities Non-bonded Debt (2)	Business-Type Activities Non-bonded Debt (2)	Total Obligation	Ratio of Debt Percentage of Personal Income (3)		Debt Per Capita	
							Net Bonded Debt	Total Obligation	Net Bonded Debt	Total Obligation
2021	\$ 1,165,000	\$ 78,688	\$ 1,086,312	\$ 4,001,956	\$ 17,347,574	\$ 22,435,842	6.72%	0.33%	\$ 55	\$ 1,128
2020	265,000	75,664	189,336	7,272,978	20,172,380	27,634,694	21.87%	0.15%	10	1,417
2019	520,000	67,655	452,345	12,538,134	19,423,498	32,413,977	24.34%	0.34%	23	1,662
2018	765,000	38,176	726,824	14,850,069	20,212,000	35,788,893	14.00%	0.28%	38	1,848
2017	1,005,000	28,563	976,437	17,099,574	21,349,000	39,425,011	9.49%	0.23%	51	2,059
2016	1,835,000	(33,640)	1,868,640	19,414,021	22,078,570	43,361,231	4.64%	0.20%	98	2,265
2015	2,645,000	(10,615)	2,655,615	20,615,267	22,978,399	46,249,281	3.42%	0.20%	139	2,424
2014	3,425,000	10,101	3,414,899	25,152,712	23,850,814	52,418,425	2.48%	0.16%	180	2,765
2013	4,180,000	8,432	4,171,568	22,959,865	24,701,435	51,832,868	2.12%	0.17%	225	2,790
2012	4,915,000	49,241	4,865,759	23,867,009	25,525,860	54,258,628	1.75%	0.16%	266	2,971

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

(2) 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.

(3) Personal income is derived from the total households in the City of Sherwood multiplied by the median household income per the US Census Bureau. Income is reported as one year in arrears due to timing of available information.

CITY OF SHERWOOD
Sherwood, Oregon

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2021

<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	\$ 9,711,374	1.01%	\$ 98,085
Northwest Regional ESD	50,101	2.55%	1,278
Port of Portland	479,371	93.00%	445,815
Portland Community College	7,754,721	1.28%	99,260
Tualatin Valley Fire and Rescue District	874,177	3.36%	29,372
Washington County	6,209,225	3.15%	195,591
School District 88J	176,722,553	56.54%	99,918,931
Subtotal, overlapping debt			100,788,332
City of Sherwood direct debt			5,260,530
Total direct and overlapping debt			<u>\$ 106,048,862</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, 2021

<u>Fiscal Year</u>	<u>Total Taxable Assessed Value</u>	<u>Taxable Assessed Value as a Percentage of Estimated Actual Value</u>	<u>Estimated RMV</u>
2021	\$ 2,216,239,431	56%	\$ 3,932,473,763
Debt limitations (3% of total real market value)			\$ 117,974,213
Outstanding Governmental Activities-General Obligation Debt			<u>1,165,000</u>
Net debt margin			\$ 116,809,213
Percentage of net debt margin available			<u>99.01%</u>
Percentage of net debt power exhausted			<u>0.99%</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>
2021	\$ 117,974,213	\$ 1,165,000	\$ 116,809,213	99.01%
2020	103,696,105	265,000	103,431,105	99.74
2019	99,418,629	520,000	98,898,629	99.48
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

CITY OF SHERWOOD
Sherwood, Oregon

DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

July 1	Population (a)	Calendar Year	Unemployment Rate (b)	Median Age (c)	Average Household Size (c)	Per Capita Income	
						City of Sherwood	Washington County (c)
2021	19,885	2021	3.9%	36.3	2.9	\$ 36,217	\$ 44,396
2020	19,595	2020	11.2	36.3	2.9	35,330	41,814
2019	19,505	2019	4.3	36.3	3.0	34,511	40,152
2018	19,363	2018	3.8	36.6	2.9	31,654	37,361
2017	19,350	2017	4.2	36.6	2.9	30,882	35,786
2016	19,145	2016	5.0	37.0	2.9	30,129	34,691
2015	19,080	2015	5.5	36.2	2.9	29,863	32,721
2014	18,955	2014	6.2	34.8	2.9	29,378	30,914
2013	18,575	2013	7.3	33.9	3.0	31,327	31,964
2012	18,265	2012	8.1	33.1	3.0	30,707	32,474

(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 NINE YEARS AGO

Employer	2021			2012		
	Employees	Rank	% of Total City Employment	Employees	Rank	% of Total City Employment
Sherwood School District	619	1	12%	528	1	9%
Allied Systems Company	280	2	5	360	2	6
WalMart Stores Inc.	212	3	5			
NW Natural	161	4	4			
Traske Precision Machining	148	5	2	163	3	3
City of Sherwood	141	6	3	119	4	2
PNW Flatwork, Inc. dba Fettig	125	7	3	110	5	2
Performance Insulation & Energy Services	116	8	2			
Safeway	112	9	2	110	5	2
Target	99	10	2	75	8	1
Alberson's Food Ctr				81	7	1
Showplace Landscape Services				75	8	1
Hardwood Industries, Inc.				67	10	1

Source: 2021 and 2012 Business License Database

CITY OF SHERWOOD
Sherwood, Oregon

MISCELLANEOUS STATISTICS
2012 through 2021

Date of incorporation	1893									
Form of government	Council/Manager									
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Number of employees	141	140	130	114	114	112	106	98	95	96
Area in square miles	4.9	4.8	4.6	4.61	4.5	4.5	4.5	4.5	4.5	4.5
Miles of street	60	58	58	58	55	55	55	55	55	55
Culture and recreation:										
Senior/teen centers	2	2	2	2	2	2	2	2	2	2
Recreation centers	3	3	3	3	3	3	3	2	2	2
Acres of sports fields	55	55	55	55	55	55	55	55	55	55
Acres of maintained passive parks	64	64	57	57	57	57	57	57	57	57
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	4
Number of middle and high schools in the City	3	3	3	3	3	3	3	3	3	3

COMPLIANCE SECTION



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**REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

City Council
City of Sherwood
Sherwood, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sherwood, Oregon (the City) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 17, 2022.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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 a 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT (Continued)

City Council
City of Sherwood
Page 2

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Talbot, Kowala & Warwick LLP

Portland, Oregon
March 17, 2022



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**REPORT ON COMPLIANCE FOR MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

City Council
City of Sherwood
Sherwood, Oregon

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the City of Sherwood, Oregon (the City)'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2021. The City's major federal program is identified in the Summary of Independent Auditor's Results Section of the accompanying Schedule of Findings and Questioned Costs.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

**REPORT ON COMPLIANCE FOR MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

City Council
City of Sherwood
Page 2

OPINION ON MAJOR FEDERAL PROGRAM

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

OTHER MATTERS

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as Finding 2021-001 and Finding 2021-002, our opinion on each major federal program is not modified with respect to these matters.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance 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 over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as Finding 2021-001 and Finding 2021-002, that we consider to be significant deficiencies.

**REPORT ON COMPLIANCE FOR MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

City Council
City of Sherwood
Page 3

REPORT ON INTERNAL CONTROL OVER COMPLIANCE (CONITNUED)

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Talbot, Kowala & Warwick LLP

Portland, Oregon
March 17, 2022

CITY OF SHERWOOD, OREGON

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021**

Program Title/Description	CFDA Number	Expenditures
U.S. Department of the Treasury		
Passed through Washington County:		
Coronavirus Relief Fund - COVID-19	21.019	\$ 2,221,522
Passed through Oregon Business Development Department:		
Coronavirus Relief Fund - COVID-19	21.019	346,856
Total U.S. Department of the Treasury		2,568,378
Total Federal Awards		<u>\$ 2,568,378</u>

Notes to Schedule of Expenditures of Federal Awards:

The schedule above is prepared on the modified accrual basis of accounting. Grant revenues are recorded when the City has met the qualifications for the respective grants. Expenditures are recorded when the liability is incurred. The City has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Fiscal Year 2020 Expenditures for Grants Awarded in Fiscal Year 2021:

Certain grants awarded in fiscal year 2021 that reimbursed expenditures from fiscal year 2020. The following 2020 expenditures are included in the preceding Schedule of Expenditures of Federal Awards:

Coronavirus Relief Fund - COVID-19	21.019	<u>\$ 245,723</u>
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CITY OF SHERWOOD, OREGON

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?

Yes _____ No X

- Significant deficiency(ies) identified?

Yes _____ No X

Noncompliance material to financial statements noted?

Yes _____ No X

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified?

Yes _____ No X

- Significant deficiency(ies) identified?

Yes X No _____

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes X No _____

Identification of major federal programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
-------------------------------------	---

21.019	Coronavirus Relief Fund (CRF)
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Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee

Yes _____ No X

CITY OF SHERWOOD, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued) YEAR ENDED JUNE 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

No matter were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2021-001

Federal program:

Coronavirus Relief Fund (AL# 21.019)

Criteria:

Per Title 2, Subtitle A, Chapter II, Subpart D, Section 202.303 (a), a non-Federal entity must "establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)."

Condition:

A significant deficiency in controls over compliance was identified for compliance requirement L, Reporting, from the 2021 Office of Management and Budget (OMB) *Compliance Supplement* due to a lack of review of reports submitted to pass-through entity.

Cause:

The cause appears to be related to a lack of resources in the finance department in relation to the workload from additional grants and COVID-19.

Effect or potential effect:

The reports submitted to the pass-through entity were not reviewed. While eligible expenditures appear to exceed the amount of reimbursement requested, there were certain expenditures included in two different reimbursement requests. A lack of effective internal controls over compliance for reporting could allow material noncompliance due to error or fraud.

Questioned Costs:

No known or estimated questioned costs identified.

Context:

The lack of review over reporting was identified during inquiries to obtain an understanding of internal controls and while performing compliance audit procedures.

Recommendation:

The City should implement policies and procedures to ensure reporting to external parties is complete and accurate.

Views of responsible officials:

The City understands and concurs with this finding.

CITY OF SHERWOOD, OREGON

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
YEAR ENDED JUNE 30, 2021**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding 2021-002

Federal program:

Coronavirus Relief Fund (AL# 21.019)

Criteria:

Per Title 2, Subtitle A, Chapter II, Subpart D, Section 202.332, a non-Federal entity must ensure that every subaward is clearly identified to the subrecipient as a subaward and is required to provide certain information to subrecipients, evaluate the subrecipients' risk of noncompliance, and monitor the activities of subrecipients.

Condition:

The City did not properly identify a subrecipient of a federal award. Additionally, a significant deficiency in controls over compliance was identified for compliance requirement M, Subrecipient Monitoring, from the 2021 Office of Management and Budget (OMB) *Compliance Supplement*.

Cause:

The cause appears to be related to a lack of resources in the finance department in relation to the workload from additional grants and COVID-19. Additionally, the funds were awarded by the pass-through entity in an accelerated process and were required to be expended within a short time frame.

Effect or potential effect:

The City did not properly identify a subrecipient of federal funds. While there appears to be communication between the City and the subrecipient, the lack of documentation identifying and monitoring the subrecipient could allow material noncompliance due to error or fraud.

Questioned Costs:

No known or estimated questioned costs identified.

Context:

The lack of documentation identifying and monitoring the subrecipient was identified while performing compliance audit procedures.

Recommendation:

The City should implement policies and procedures to ensure subrecipients are properly identified, provided the requirement information, evaluated for risk of noncompliance, and appropriately monitored.

Views of responsible officials:

The City understands and concurs with this finding.

INDEPENDENT AUDITOR'S REPORT REQUIRED BY 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, business-type activities, each major fund, and the aggregate remaining fund information of City of Sherwood, Oregon (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 17, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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.
- Programs funded from outside sources.
- 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 as follows:

An independently owned member
RSM US Alliance



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

City Council
City of Sherwood
Page 2

COMPLIANCE (Continued)

- Expenditures of \$49,416 in excess of appropriations for community development in the General Fund.
- Expenditures of \$13,057 in excess of appropriations for transfers out in the Street Capital Fund.
- Expenditures of \$662,484 in excess of appropriations for operations in the Broadband Fund.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

PURPOSE OF THIS REPORT

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

Talbot, Kowala & Warwick LLP

Portland, Oregon
March 17, 2022