

**2021 URBAN RENEWAL AGENCY
OF THE CITY OF SHERWOOD, OREGON**
(A component unit of the City of Sherwood, Oregon)

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2025

2021 URBAN RENEWAL AGENCY OF THE CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)

AGENCY OFFICIALS
JUNE 30, 2025

BOARD MEMBERS

Name	Term Expires
Chair Tim Rosener	January 2027
Keith Mays	January 2027
Renee Brouse	January 2029
Dan Standke	January 2029
Taylor Giles	January 2027
Doug Scott	January 2027
Kim Young	January 2029

PRINCIPAL ADMINISTRATIVE OFFICIALS

Name	Title
Craig Sheldon	City Manager
Kristen Switzer	Assistant City Manager
David Bodway III, Executive MPA	Finance Director

All may be reached at:

City of Sherwood
22560 SW Pine St
Sherwood, OR 97140

2021 URBAN RENEWAL AGENCY OF THE CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)

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Your peace of mind is our passion.

INDEPENDENT AUDITOR'S REPORT

Board of Directors
2021 Urban Renewal Agency of the City of Sherwood, Oregon
(A component unit of the City of Sherwood)
Sherwood, Oregon

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the 2021 Urban Renewal Agency of the City of Sherwood, Oregon (the Agency), a component unit of the City of Sherwood, Oregon, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency, as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

Accounting principles generally accepted in the United States of America require that the budgetary comparison information for the General Fund, as 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The Schedule of Property Tax Transactions and the budgetary comparison information for the Capital Projects Fund, as listed in the Table of Contents as Other Supplementary Information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the accompanying Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Oregon Minimum Standards

In accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated January 12, 2026, on our consideration of the Agency's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.



For Talbot, Korvola & Warwick, LLP
Portland, Oregon
January 12, 2026

2021 URBAN RENEWAL AGENCY of the CITY OF SHERWOOD, OREGON

(A Component Unit of the City of Sherwood, Oregon)

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2025

This discussion and analysis of the Sherwood 2021 Urban Renewal Agency (Agency) *Annual Financial Report* for the fiscal year ended June 30, 2025, presents the highlights of financial activities and financial position for the Agency for the year ended June 30, 2025 (FY25). It has been prepared by management and should be read in conjunction with the financial statements and notes.

1. FINANCIAL HIGHLIGHTS

This is the third fiscal year of property tax collections for the Agency. Property tax revenue was \$1.7 million.

The Agency's net position increased by \$3.0 million during the fiscal year ended June 30, 2025, resulting in a total net position of \$2.7 million.

The Agency has a \$2.7 million net position, consisting of: a \$4.3 million deficit net investment in capital assets, leaving a \$7.0 million unrestricted net position balance.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction and summary of the Agency's financial statements. It is followed by the financial statements themselves, which are comprised of three elements:

1. Government-Wide Financial Statements
 - a. Statement of Net Position
 - b. Statement of Activities
2. Fund Financial Statements – Governmental Funds
 - a. Balance Sheet
 - b. Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
 - c. Statement of Revenues, Expenditures and Change in Fund Balances
 - d. Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
3. Notes to Basic Financial Statements

The Government Wide Financial Statements are designed to provide the reader with a broad overview of the Agency's finances, in a manner similar to a private-sector business. These statements include all assets of the Agency (including land and construction in progress) as well as all liabilities.

The Statement of Net Position presents information on all of the Agency's assets and liabilities, with the difference between the two reported as "Net Position." Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The Statement of Activities presents information showing how the Agency's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will result in cash inflows or outflows in a future fiscal period.

Fund financial statements – a fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency uses fund accounting

2021 URBAN RENEWAL AGENCY of the CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

2. OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds are used to account for activities where the emphasis is placed on available financial resources, rather than upon net position determination. Therefore, unlike the government-wide financial statements, governmental fund financial statements focus on the acquisition and use of current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Agency's near-term requirements.

Because the focus of governmental funds is narrower than that of the government-wide statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures and Change in Fund Balances are accompanied by reconciliations to facilitate this comparison between governmental funds and governmental activities.

Notes to basic financial statements provide additional information that is essential for a full understanding of the data provided in the basic financial statements. They are an integral part of the basic financial statements and should be read in conjunction with them.

3. GOVERNMENT-WIDE FINANCIAL STATEMENTS

Summarized below are the Agency's net position and activities as of and for the last two fiscal years.

STATEMENT OF NET POSITION
At Fiscal Year End June 30, 2025 and 2024
In Thousands of Dollars

	2025	2024
ASSETS:		
Cash and investments	\$ 8,559	\$ 9,078
Receivables	214	-
Prepaid expenses	125	1,318
Property Tax receivable	61	41
Capital assets	35,416	18,058
TOTAL ASSETS	44,376	28,494
LIABILITIES:		
Current liabilities	2,570	1,524
Long-term obligations	39,076	27,209
TOTAL LIABILITIES	41,645	28,733
NET POSITION:		
Net investment in capital assets	(4,264)	(1,820)
Unrestricted	6,993	1,581
TOTAL NET POSITION	\$ 2,729	\$ (239)

2021 URBAN RENEWAL AGENCY of the CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

3. GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)

STATEMENT OF ACTIVITIES
YEARS ENDED JUNE 30, 2025 and JUNE 30, 2024

In Thousands of Dollars

	2025	2024
REVENUES		
Property taxes	\$ 1,678	\$ 1,133
Interest earnings	183	552
Operating grants and contributions	51	9
Capital grants and contributions	4,214	-
Contribution of capital asset	(2,010)	
TOTAL REVENUES	<u>4,116</u>	<u>1,694</u>
EXPENSES:		
Urban Redevelopment	329	817
Interest on long term debt	819	738
TOTAL EXPENSES	<u>1,148</u>	<u>1,555</u>
CHANGE IN NET POSITION	2,968	139
BEGINNING NET POSITION (DEFICIT)	<u>(239)</u>	<u>(378)</u>
ENDING NET POSITION (DEFICIT)	<u>\$ 2,729</u>	<u>\$ (239)</u>

The net position increased by \$3.0 million as the Agency's incremental property taxes continue to increase. Tax revenues and bond proceeds funded approximately \$15 million in capital asset projects and a full year of debt service, including interest of \$0.8 million.

4. CAPITAL ASSETS

At June 30, 2025, the Agency had \$35.4 million in capital assets, which consisted of:

<i>(in thousands)</i>	2025	2024
Land	\$ 2,751	\$ 2,748
Construction in Progress	32,665	15,310
Total	<u>\$ 35,416</u>	<u>\$ 18,058</u>

For additional information on the Agency's capital assets, refer to the Capital Assets Note in the Basic Financial Statements section.

2021 URBAN RENEWAL AGENCY of the CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

5. OBLIGATIONS OUTSTANDING

<i>(in thousands)</i>	2025	2024
Long-Term Full Faith and Credit Obligations	\$ 27,076	\$ 27,209

No debt was issued in FY25.

All Agency debt is in the form of long-term obligations backed by the Full Faith and Credit of the City of Sherwood. Intergovernmental agreements between the city and the Agency obligate the Agency to pay debt service. The Agency does not have a bond rating. It relies on the City's Aa3 bond rating (Moody's Investors Service). For additional information on the Agency's long-term obligations, refer to the Long-Term Obligations Note in the Notes to Basic Financial Statements section.

6. HIGHLIGHTS OF FISCAL YEAR 2024-25 BUDGET

The total adopted budget totaled \$26.2 million. There was one adjustment to the Agency's budget after the initial budget adoption. Property taxes received were 2.6% lower than budgeted.

7. ECONOMIC FACTORS AND BIENNIAL 2025-27 BUDGET

The 2025-2027 Adopted Biennial Budget includes funds to administer the Agency, debt service, and appropriations for design and construction of a High-Arched Pedestrian Bridge across Highway 99W and Ice Age Drive. Funding for these projects will come from tax increment revenue and loans.

8. FINANCIAL CONTACT

The Agency's financial statements are designed to present Agency taxpayers, customers, investors and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability. If you have questions about the report or need additional financial information, please contact David Bodway III, Executive MPA, Finance Director at City of Sherwood, 22560 SW Pine Street, Sherwood Oregon, 97140 or BodwayD@SherwoodOregon.gov.

2021 URBAN RENEWAL AGENCY of the CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)

STATEMENT OF NET POSITION
JUNE 30, 2025

	Governmental Activities
ASSETS:	
Cash and investments	\$ 8,559,198
Receivables	214,062
Prepaid expenses	124,929
Property tax receivables	60,324
Capital assets:	
Land and construction in progress	<u>35,416,216</u>
TOTAL ASSETS	<u>44,374,729</u>
LIABILITIES:	
Accounts payable	1,966,794
Accrued interest payable	149,331
Contracted payroll payable	26,607
Other current liabilities	426,965
Long-term obligations:	
Due within one year	133,096
Due in more than one year	<u>38,942,707</u>
TOTAL LIABILITIES	<u>41,645,500</u>
NET POSITION:	
Net investment in capital assets	(4,264,043)
Unrestricted	<u>6,993,272</u>
TOTAL NET POSITION	<u>\$ 2,729,229</u>

See notes to basic financial statements

2021 URBAN RENEWAL AGENCY of the CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental activities:					
Urban redevelopment	\$ 329,297	\$ -	\$ 50,625	\$ 4,214,061	\$ 3,935,389
Interest on long-term borrowings	818,671	-	-	-	(818,671)
			-	-	
Total	<u>\$ 1,147,968</u>	<u>\$ -</u>	<u>\$ 50,625</u>	<u>\$ 4,214,061</u>	<u>3,116,718</u>
General revenues:					
Property taxes					1,678,371
Unrestricted interest earnings					183,095
Contribution of capital assets					(2,010,281)
Total general revenues and contributions					<u>(148,815)</u>
Change in net position					2,967,903
Net position (deficit), June 30, 2024					(238,674)
Net position, June 30, 2025					<u>\$ 2,729,229</u>

See notes to basic financial statements

2021 URBAN RENEWAL AGENCY of the CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2025**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Totals</u>
ASSETS:			
Cash and investments	\$ 534,863	\$ 8,024,335	\$ 8,559,198
Receivables	-	214,062	214,062
Prepaid expenses	-	124,929	124,929
Property tax receivables	60,324	-	60,324
TOTAL ASSETS	<u>595,187</u>	<u>8,363,326</u>	<u>8,958,513</u>
LIABILITIES:			
Accounts payable	13,405	1,953,389	1,966,794
Contracted payroll payable	22,777	3,830	26,607
Other current liabilities	-	426,965	426,965
TOTAL LIABILITIES	<u>36,182</u>	<u>2,384,184</u>	<u>2,420,366</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue - property taxes	48,363	-	48,363
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>48,363</u>	<u>-</u>	<u>48,363</u>
FUND BALANCE:			
Nonspendable in form	-	124,929	124,929
Unrestricted	510,642	5,854,213	6,364,855
TOTAL FUND BALANCE	<u>510,642</u>	<u>5,979,142</u>	<u>6,489,784</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 595,187</u>	<u>\$ 8,363,326</u>	<u>\$ 8,958,513</u>

See notes to basic financial statements

2021 URBAN RENEWAL AGENCY of the CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)

**RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2025**

TOTAL FUND BALANCE		\$ 6,489,784
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.		
		35,416,216
A portion of the Agency's receivables are collected after year-end but they are not collected soon enough to be available as financial resources for the current year. The revenues related to these receivables are not reported in the governmental funds.		
		48,363
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 liabilities consist of:		
Bonds and notes payable	\$ (39,075,803)	
Accrued interest payable	(149,331)	(39,225,134)
		<u>(39,225,134)</u>
TOTAL NET POSITION (DEFICIT)		<u>\$ 2,729,229</u>

See notes to basic financial statements

2021 URBAN RENEWAL AGENCY of the CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2025**

	General Fund	Capital Projects Fund	Totals
REVENUES:			
Property taxes	\$ 1,671,715	\$ -	\$ 1,671,715
Intergovernmental	50,625	4,214,061	4,264,686
Interest on investments	59,723	123,372	183,095
TOTAL REVENUES	<u>1,782,063</u>	<u>4,337,433</u>	<u>6,119,496</u>
EXPENDITURES:			
Current:			
Urban redevelopment	408,701	4,404,072	4,812,773
Non Current:			
Capital outlay	-	14,885,514	14,885,514
Debt service	871,488	-	871,488
TOTAL EXPENDITURES	<u>1,280,189</u>	<u>19,289,586</u>	<u>20,569,775</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>501,874</u>	<u>(14,952,153)</u>	<u>(14,450,279)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of debt	-	12,000,000	12,000,000
Debt premium	-		
Transfers in	(457,473)	-	(457,473)
Transfers out	-	457,473	457,473
TOTAL OTHER FINANCING SOURCES (USES)	<u>(457,473)</u>	<u>12,457,473</u>	<u>12,000,000</u>
NET CHANGE IN FUND BALANCE	44,401	(2,494,680)	(2,450,279)
FUND BALANCE, beginning of year	<u>466,241</u>	<u>8,473,822</u>	<u>8,940,063</u>
FUND BALANCE, end of year	<u>\$ 510,642</u>	<u>\$ 5,979,142</u>	<u>\$ 6,489,784</u>

See notes to basic financial statements

2021 URBAN RENEWAL AGENCY of the CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025**

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUND	\$ (2,450,279)
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Amounts reported for governmental activities in the
Statement of Activities are different because of the following:

Governmental funds report capital assets additions as expenditures while
governmental activities report depreciation expense to allocate those expenditures
over the life of the assets.

Expenditures capitalized	19,368,990	
Contribution of capital asset	<u>(2,010,281)</u>	17,358,709

Proceeds from borrowing is recorded in the governmental funds, but the issuance increases long-term liabilities in the Statement of Net Assets.	(12,000,000)
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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.	6,656
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Premium on bonds	133,096
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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. Accrued interest	<u>(80,279)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 2,967,903</u>
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See notes to basic financial statements

2021 URBAN RENEWAL AGENCY of the CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the 2021 Urban Renewal Agency of the City of Sherwood, Oregon (the Agency), a component unit of the City of Sherwood, Oregon, (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting standards. The more significant of the Agency's accounting policies are described below.

Reporting Entity

The Agency was created on May 18, 2021, to promote the economic welfare and prosperity of the City's inhabitants. The Agency is governed by a seven-member board of directors that include the City's mayor and council members and is reported as a blended component unit in the City's financial statements as a special revenue fund and capital projects fund.

Government-wide and Fund Financial Statements

Government-wide financial statements display information about the Agency as a whole. These statements focus on the sustainability of the Agency as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary or fiduciary. Currently, the Agency has two governmental funds; the General Fund and the Capital Fund. Each fund is reported as major, and is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund balance, revenues and expenditure.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The modified accrual basis of accounting is used by governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Agency considers amounts collected within 2 months of year end to be available, and susceptible to accrual. Property tax revenues are susceptible to accrual using the 2 month window.

2021 URBAN RENEWAL AGENCY of the CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows and disclosures of contingent assets, liabilities and deferred inflows at the date of the financial statements and reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

Cash and Investments

The Agency 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 Agency's total pooled cash and investments.

Funds Due To/From City of Sherwood

Due to/from the City of Sherwood balances are related to timing of debt- and project-related transactions between the Agency and the City's Broadband Fund.

Property Taxes and Property Tax Receivables

Real and personal property taxes are levied upon all taxable property within the Agency and become liens against the property as of July 1 of each year and are payable in three installments which are due on November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Property taxes receivable by the Agency represent the Agency's allocated share of delinquent property taxes and other amounts to be collected from property owners.

Property tax receivables are recorded to indicate the amount of uncollected taxes that are expected to be received in the future. Property tax receivables for the governmental fund types, which have been collected within sixty days subsequent to year end, are considered measurable and available and are recognized as revenues. All other property taxes receivable are offset by unavailable revenues and, accordingly, have not been recorded as revenue.

Capital Assets

Capital assets (items lasting more than one year and costing in excess of \$5,000) are stated at historical cost. Capital assets are charged to expenditures in the governmental fund types as purchased.

2021 URBAN RENEWAL AGENCY of the CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (continued)

Capital assets are depreciated in the government-wide statements using the straight-line method over the following estimated useful lives:

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

Normal maintenance and repairs are charged to operations as incurred. Major additions, improvements and replacements are capitalized. Gains or losses from sales or retirements of capital assets are included in operations.

Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities. Bond premiums, discounts and deferred charges are amortized over the life of the bonds on the straight-line method. Bonds payable are reported net of the applicable premium or discount. Deferred charges are reported separately and amortized over the term of the related debt.

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

Pension Plans and OPEB

The Agency contracts personal services from the City of Sherwood; therefore no pension or other post-employment benefit (OPEB) costs or related liabilities are attributable to the Agency.

Budget and Budgetary Accounting

A budget is prepared for the funds in accordance with the modified accrual basis of accounting. Appropriations are made at the category level. Expenditures may not legally exceed appropriations. Appropriations lapse at the end of each fiscal year. Budget amounts include original approved amounts and all subsequent appropriation transfers approved by the governing board. After budget approval, the governing board may approve supplemental appropriations if an occurrence, condition, or need exists which had not been ascertained at the time the budget was adopted. Management may not amend the budget. A supplemental budget requires hearings before the public, publications in newspapers and approval by the governing board if it exceeds 10% of a fund's expenditures. Budget amounts shown in the basic financial statements reflect the original and final budget amounts. Expenditures in all funds were within authorized appropriations for the year ended June 30, 2025.

2021 URBAN RENEWAL AGENCY of the CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

Governmental Accounting Standards Board (GASB) Statement No. 54 requires analysis and presentation of fund balance within the governmental funds in five categories. The fund balance categories are:

- Non-spendable – Includes items not in spendable form such as prepaid items and inventories.
- Restricted – Includes items that are restricted by external creditors, grantors or contributors, or restricted by constitutional provisions or enabling legislation.
- Committed – Includes items committed by the Board in formal action by resolution.
- Assigned – Includes items designated for specific use as authorized by the Agency, under authority granted by the Agency Board.
- Unassigned – This is the residual classification used in the General Fund for those balances not assigned to another category, and for any deficits reported in other governmental funds.

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

DETAILED NOTES ON ALL ACCOUNTS

Cash and Investments

Pooled Deposits and Investments

The Agency maintains a cash and investment pool that is available for use by all funds. Governmental activities of this pool are displayed on the government-wide Statement of Net Position as "Cash and Investments". Oregon Revised Statutes (ORS) authorize the Agency 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 Agency'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 Agency's investment objectives, required diversification, certain limitations, security safekeeping, and reporting requirements.

Investments	\$ 8,559,198
Total cash and investments	<u>\$ 8,559,198</u>

2021 URBAN RENEWAL AGENCY of the CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

DETAILED NOTES ON ALL ACCOUNTS (Continued)

Cash and Investments (Continued)

Pooled Deposits and Investments (Continued)

The Agency 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 Agency's investment in the LGIP is stated at cost, which approximates fair value.

Interest Rate Risk

To manage exposure to fair-value losses from increases in interest rates, the Agency's policy is to set guidelines for portfolio maturities. The greater of three months operating expenditures or at least 25% of the Agency'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 Agency's fair value of investments as of June 30, 2025 are summarized below:

Investment	Fair Value	Less than 3 Months	4-12 Months	Greater than 12 Months
State of Oregon Local Government				
Investment Pool	\$ 8,559,198	\$ 8,559,198	\$ -	\$ -
Total Investments	<u>\$ 8,559,198</u>	<u>\$ 8,559,198</u>	<u>\$ -</u>	<u>\$ -</u>

2021 URBAN RENEWAL AGENCY of the CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

DETAILED NOTES ON ALL ACCOUNTS (Continued)

Cash and Investments (Continued)

Credit Risk

The Agency'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, 2025, the Oregon Short-Term Fund (LGIP) is limited to \$61,749,000 per Oregon Revised Statute 294.810.

The minimum allowable credit rating criteria the Agency'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. All investments are in compliance with the Agency's investment policy.

Concentration of Credit Risk

<u>Issuer</u>	<u>Fair Value</u>	<u>Percent of Holdings</u>	<u>Maximum Allowable % Holdings</u>
Oregon Short-Term Fund (LGIP)	<u>\$ 8,559,198</u>	<u>100.00%</u>	<u>*</u>
Total of Investments	<u>\$ 8,559,198</u>	<u>100.00%</u>	

* Maximum allowed per ORS 294.810

Fair Value Measurement

The Agency 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.

2021 URBAN RENEWAL AGENCY of the CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

DETAILED NOTES ON ALL ACCOUNTS (Continued)

Cash and Investments (Continued)

Fair Value Measurement (Continued)

The Agency reports investments at fair market value. Investments in LGIP are not subject to level designation.

Capital Assets

Capital assets activity for the year ended June 30, 2025, was as follows:

	Balances June 30, 2024	Additions	Deletions	Balances June 30, 2025
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 2,747,582	\$ 3,523	\$ -	\$ 2,751,105
Construction work in progress	15,309,925	19,365,467	(2,010,281)	32,665,111
Governmental activities capital assets, net	<u>\$18,057,507</u>	<u>\$ 19,368,990</u>	<u>\$ (2,010,281)</u>	<u>\$35,416,216</u>

Long-Term Obligations

Long-term debt activity for the year ended June 30, 2025 was as follows:

	Balances 6/30/2024	Additions	Retirements	Balances 6/30/2025	Due within one year
Governmental activities					
Long-term obligations					
FFC Series A 2021	\$ 3,975,300	\$ -	\$ -	\$ 3,975,300	\$ -
FFC Series B 2021	19,640,000	-	-	19,640,000	-
Bridge Loan - City of Sherwood	-	12,000,000	-	12,000,000	-
Total long-term obligations	23,615,300	12,000,000	-	35,615,300	-
Premium	3,593,599	-	133,096	3,460,503	133,096
	<u>\$ 27,208,899</u>	<u>\$ 12,000,000</u>	<u>\$ 133,096</u>	<u>\$ 39,075,803</u>	<u>\$ 133,096</u>

2021 URBAN RENEWAL AGENCY of the CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

DETAILED NOTES ON ALL ACCOUNTS (Continued)

Long-Term Obligations (Continued)

Series A (Federally Taxable): In fiscal year 2021-2022, the City issued \$18,930,000 of Full Faith and Credit Obligations. Of this amount, \$3,975,300 has been allocated to the Agency. The loan is for urban renewal projects within the City 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. Interest rates on the bonds are 2.716%. As of June 30, 2025, the balance outstanding on the bonds were \$3,975,300. Future principal and interest payments on the bond are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ -	\$ 85,888	\$ 85,888
2027	240,450	85,888	326,338
2028	243,600	82,724	326,324
2029	246,750	79,153	325,903
2030	250,950	75,222	326,172
2031-2035	1,327,200	305,088	1,632,288
2036-2040	1,485,750	146,556	1,632,306
2041	180,600	4,905	185,505
	<u>\$ 3,975,300</u>	<u>\$ 865,423</u>	<u>\$ 4,840,723</u>

Series B (Tax Exempt): In fiscal year 2021-2022, the City issued \$19,640,000 of Full Faith and Credit Obligations. 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 with the exception of acceleration. Interest rates on the bonds are 4.0 percent. At June 30, 2025, the outstanding balance on the bonds were \$19,640,000 and the balance of the unamortized premium was \$3,460,502. Future principal and interest payments on the bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ -	\$ 785,600	\$ 785,600
2027	-	785,600	785,600
2028	-	785,600	785,600
2029	-	785,600	785,600
2030	-	785,600	785,600
2031-2035	-	3,928,000	3,928,000
2036-2040	-	3,928,000	3,928,000
2041-2045	7,380,000	3,431,200	10,811,200
2046-2050	10,010,000	1,682,400	11,692,400
2051	2,250,000	90,000	2,340,000
	<u>19,640,000</u>	<u>\$ 16,987,600</u>	<u>\$ 36,627,600</u>
Premium	3,460,502		
	<u>\$ 23,100,502</u>		

2021 URBAN RENEWAL AGENCY of the CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

DETAILED NOTES ON ALL ACCOUNTS (Continued)

Long-Term Obligations (Continued)

Bridge Loan – City of Sherwood: In 2025 the City issued an interfund note payable between the Water fund and the 2021 URA Capital fund for \$12,000,000 to finance the construction of the Highway 99W Pedestrian Bridge. The term of the note is ten years at a rate of 5% maturing in May 2034. Annual payments are due on June 30. Interest began accruing when the initial drawdown occurred in March 2025 . Future principal and interest payments on the interfund loan are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ -	\$ 322,000	\$ 322,000
2027	-	552,000	\$ 552,000
2028	-	552,000	\$ 552,000
2029	859,357	542,168	\$ 1,401,524
2030	1,527,802	480,525	\$ 2,008,328
2031-2035	8,785,576	1,256,062	\$ 10,041,638
2036-2040	827,265	9,538	\$ 836,803
	<u>\$ 12,000,000</u>	<u>\$ 3,714,293</u>	<u>\$ 15,714,293</u>

Ice Age Drive OTIB loan: In fiscal year 2024-2025, the City entered into an agreement with the State of Oregon to borrow up to \$5 million to finance construction of Ice Age Drive. The term of the agreement is at a rate of 3.64% maturing in March 2056. As of June 30, 2025, the unused portion of the note was \$5 million.

OBDD Loan: In fiscal year 2024-2025, the City entered into an agreement with the State of Oregon for \$12 million to finance construction of Ice Age Drive and Utility Infrastructure Improvements on a reimbursement basis. The term of the agreement is at a rate of 4.22% maturing 29 years after the commencement date. As of June 30, 2025, the unused portion of the note was \$12 million.

Arbitrage

Internal Revenue Service (IRS) Internal Revenue Code (IRC) Section 148 “Arbitrage,” details requirements related to investment earnings on bond proceeds. Under IRC Section 148, a portion of the investment earnings on the Series B proceeds may be required to be rebated to the IRS in future periods, which would apply to the Capital Project Fund. As of June 30, 2025, there are no filing requirements or payments due to the IRS.

2021 URBAN RENEWAL AGENCY of the CITY OF SHERWOOD, OREGON

(A Component Unit of the City of Sherwood, Oregon)

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2025

Property Taxes

The State of Oregon imposes a constitutional limit on property taxes for schools and non-school government operations. The limitation provides that property taxes for non-school operations are limited to \$10.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt.

The State further reduced property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit in 1997. This reduction is accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions.

The State Constitution sets restrictive voter approval requirements for most tax and many fee increases and new bond issues.

2021 URBAN RENEWAL AGENCY of the CITY OF SHERWOOD, OREGON

(A Component Unit of the City of Sherwood, Oregon)

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2025

Related Party Transactions

Administrative services are contracted with the City of Sherwood, including general administration and project management. Administrative costs for the year ended June 30, 2024, and June 30, 2025, were \$582,624 and \$630,355, respectively. The Agency is an additional insured on the City of Sherwood's commercial insurance policy and the City pays the premium on this policy.

Commitments and Contingencies

The Agency is involved in various claims and legal matters relating to its operations which have all been tendered to the Agency's liability insurer or are being defended by attorneys. The Agency does not believe that any of these matters will have a material impact on its June 30, 2025, financial statements. The Agency has no significant outstanding commitments at June 30, 2025, related to construction contracts.

REQUIRED SUPPLEMENTARY INFORMATION

2021 URBAN RENEWAL AGENCY of the CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2025**

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Property taxes	\$ 1,266,696	\$ 1,716,696	\$ 1,671,715	\$ (44,981)
Intergovernmental revenues	-	-	50,625	50,625
Interest on investments	52,000	52,000	59,723	7,723
TOTAL REVENUES	<u>1,318,696</u>	<u>1,768,696</u>	<u>1,782,063</u>	<u>13,367</u>
EXPENDITURES:				
Operations Dept	629,688	629,688	408,701	220,987
Debt service	871,488	871,488	871,488	-
Contingency	131,870	131,870	-	131,870
TOTAL EXPENDITURES	<u>1,633,046</u>	<u>1,633,046</u>	<u>1,280,189</u>	<u>352,857</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(457,473)	(457,473)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(457,473)</u>	<u>(457,473)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(314,350)</u>	<u>(321,823)</u>	<u>44,401</u>	<u>366,224</u>
FUND BALANCE, beginning of year	<u>504,513</u>	<u>511,986</u>	<u>466,241</u>	<u>(45,745)</u>
FUND BALANCE, end of year	<u><u>\$ 190,163</u></u>	<u><u>\$ 190,163</u></u>	<u><u>\$ 510,642</u></u>	<u><u>\$ 320,479</u></u>

OTHER SUPPLEMENTARY INFORMATION

2021 URBAN RENEWAL AGENCY of the CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)

CAPITAL PROJECTS FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2025**

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 4,000,000	\$ 4,000,000	\$ 4,214,061	\$ 214,061
Interest on investments	500,000	500,000	123,372	(376,628)
TOTAL REVENUES	<u>4,500,000</u>	<u>4,500,000</u>	<u>4,337,433</u>	<u>(162,567)</u>
EXPENDITURES:				
Capital Department	<u>24,103,659</u>	<u>24,490,221</u>	<u>19,289,586</u>	<u>5,200,635</u>
TOTAL EXPENDITURES	<u>24,103,659</u>	<u>24,490,221</u>	<u>19,289,586</u>	<u>5,200,635</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	457,473	457,473	-
Issuance of debt	<u>12,000,000</u>	<u>12,000,000</u>	<u>12,000,000</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>12,000,000</u>	<u>12,457,473</u>	<u>12,457,473</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(7,603,659)	(7,532,748)	(2,494,680)	5,038,068
FUND BALANCE , beginning of year	<u>8,887,064</u>	<u>8,816,153</u>	<u>8,473,822</u>	<u>(342,331)</u>
FUND BALANCE , end of year	<u>\$ 1,283,405</u>	<u>\$ 1,283,405</u>	<u>\$ 5,979,142</u>	<u>\$ 4,695,737</u>

2021 URBAN RENEWAL AGENCY of the CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)

Tax Year	Receivable June 30, 2024	2024-2025 Levy	Interest, Discounts & Adjustments	Collections	Receivable June 30, 2025
2023-24	\$ -	\$ 1,727,752	\$ (48,349)	\$ (1,658,613)	\$ 20,790
2022-23	12,996	-	(1,809)	(7,645)	3,542
2021-22	7,970	-	8,327	(583)	15,714
2020-21	10,051	-	-	-	10,051
2019-20	4,613	-	-	-	4,613
2018-19	2,497	-	-	-	2,497
2017-18 & Prior Years	3,134	-	(17)	-	3,117
Total	<u>\$ 41,261</u>	<u>\$ 1,727,752</u>	<u>\$ (41,848)</u>	<u>\$ (1,666,841)</u>	<u>\$ 60,324</u>

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurer Above	\$ 1,666,841
Other Collections/Credits	4,874
Total per budgetary statement	<u>\$ 1,671,715</u>

COMPLIANCE SECTION

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



January 12, 2026

Management and the Board of Directors
2021 Urban Renewal Agency of the City of Sherwood, Oregon
(A component unit of the City of Sherwood)
Sherwood, Oregon

I

In planning and performing our audit of the financial statements of the governmental activities and each major fund of the 2021 Urban Renewal Agency of the City of Sherwood, Oregon (the Agency), a component unit of the City of Sherwood, Oregon, as of June 30, 2025 and for the year then ended, in accordance with auditing standards generally accepted in the United States of America, we considered the Agency'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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. We consider the following deficiencies in the Agency's internal control to be significant deficiencies:

- During our audit, it was noted that the Agency's controls did not prevent, or detect and correct on a timely basis, an overstatement of interest revenue in the Urban Renewal Capital Projects Fund relating to the estimated arbitrage liability. Without adequate controls over arbitrage liabilities, there is a reasonable possibility that a significant misstatement or error would not be prevented, or detected and corrected, on a timely basis.
- During our audit, it was noted that certain employee timecards appear to lack proper review. Without adequate controls over timecards, there is a reasonable possibility that a misstatement or error would not be prevented, or detected and corrected, on a timely basis.

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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

Page 2

2021 Urban Renewal Agency of the City of Sherwood, Oregon
(A component unit of the City of Sherwood)

January 12, 2026

Page 2

This communication is intended solely for the information and use of management, the Board of Directors, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Talbot, Korvola & Warwick, LLP