



RESOLUTION 2011-007

A RESOLUTION ACCEPTING THE 2009-2010 ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2010

WHEREAS, the State of Oregon requires all local governments to have their annual financial reports audited and submitted to the Secretary of State's Office by December 31st annually, and

WHEREAS, the City of Sherwood has completed its annual financial report for the year ended June 30, 2010, and

WHEREAS, the firm of Mueller, Grove and Swank has completed the required audit of the City's annual financial report, attached as Exhibit A.

NOW, THEREFORE, THE CITY OF SHERWOOD RESOLVES AS FOLLOWS:

Section 1: To accept the Annual Financial Report for the year ended June 30, 2010 and the associated auditor's reports, attached as Exhibit A.

Section 2: This Resolution is effective upon its approval and adoption.

Duly passed by the City Council this 18th day of January 2011.


Keith S. Mays, Mayor

Attest:


Sylvia Murphy, CMC, City Recorder



Home of the Tualatin River National Wildlife Refuge

Annual Financial Report

For the Fiscal Year Ended June 30, 2010

CITY OF SHERWOOD
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INTRODUCTORY SECTION



CITY OF SHERWOOD

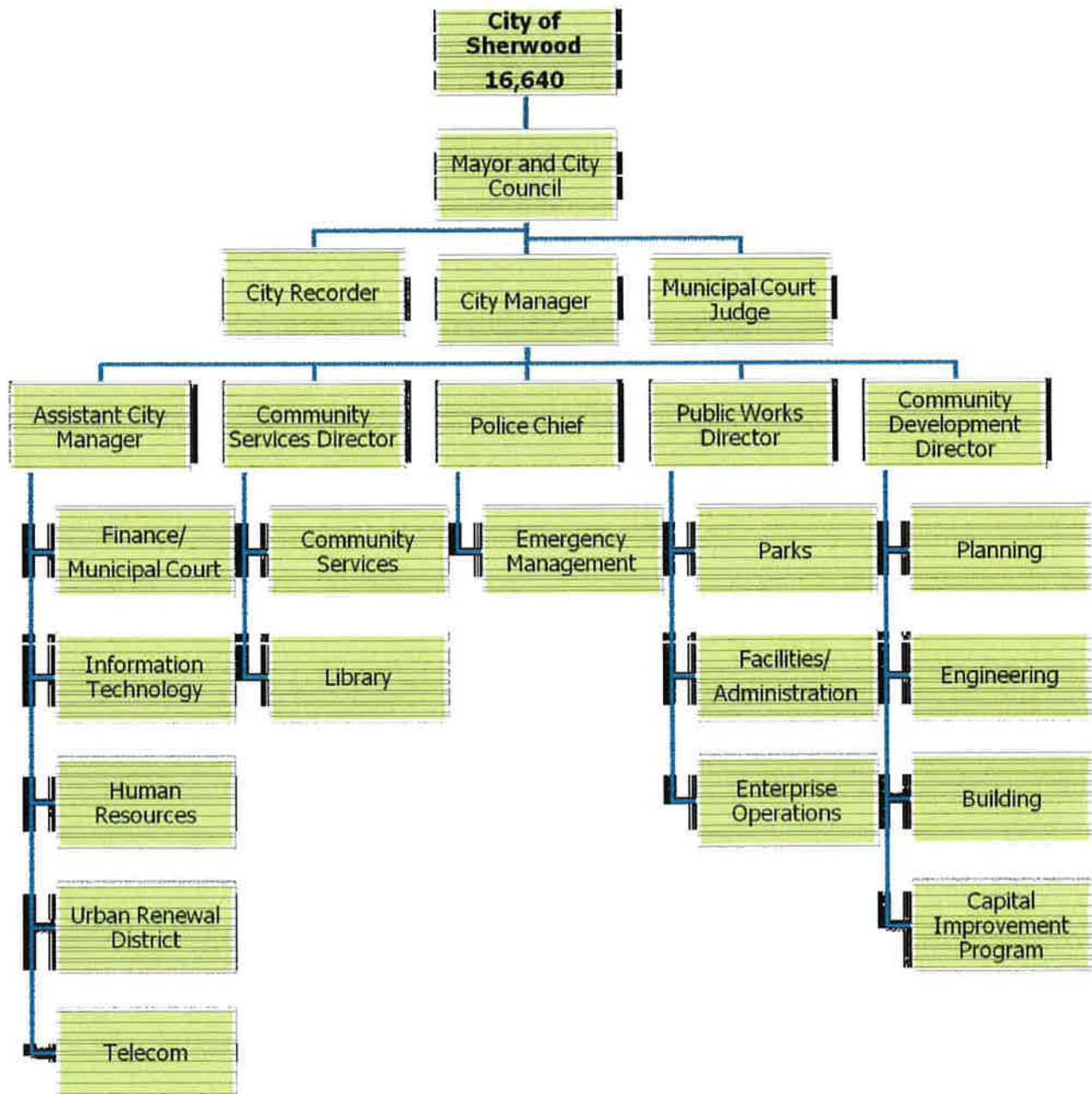
CITY OFFICIALS
JUNE 30, 2010

<u><i>Name</i></u>	<i>MAYOR</i>	<u><i>Term</i></u>
Keith Mays 23237 SW Pine Sherwood, Oregon 97140		January 2011

CITY COUNCIL MEMBERS

Lee Weislogel 14879 SE Lowell Lane Sherwood, Oregon 97140		January 2011
Dave Grant 14845 SW Brooke Court Sherwood, Oregon 97140		January 2011
Dave Heironimus 21989 SW Aldridge Terrace Sherwood, Oregon 97140		January 2011
Linda Henderson 14715 SW Brooke Court Sherwood, Oregon 97140		January 2013
Del Clark 23854 SW Aldersgrove Avenue Sherwood, Oregon 97140		January 2013
Robyn Folsom 15587 SW Oriole Court Sherwood, Oregon 97140		January 2013

2010 City of Sherwood Organization Chart



FINANCIAL SECTION





GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200 S Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
Of the City Council
City of Sherwood, Oregon
22560 SW Pine Street
Sherwood, Oregon 97140

We have audited the accompanying financial statements of the City of Sherwood, Oregon (the City) as of and for the years ended June 30, 2010 and 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Sherwood, Oregon as of June 30, 2010 and 2009, and the changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.


In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2010 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sherwood's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and statistical section are presented for purposes of additional analysis and are not required parts of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections 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.

GROVE, MUELLER, & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 
Charles A. Swank, A Shareholder

November 19, 2010

**City of Sherwood, Oregon
 Management's Discussion and Analysis
 For the Year Ended June 30, 2010**

As management of the City of Sherwood, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended June 30, 2010.

	Financial Highlights	
	June 30,	
	2010	2009
Net assets	\$ 114,085,807	\$ 110,262,819
Change in net assets	3,822,987	3,906,892
Governmental activities net assets	11,724,090	11,821,925
Governmental activities change in net assets	(97,835)	(942,007)
Business-type activities net assets	102,361,717	98,440,894
Business-type activities change in net assets	3,920,822	4,848,899

Overview of the Financial Statements

This section provides an overview of the City's basic financial statements. The basic financial statements consist of 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. These statements present information on the City's finances in a manner similar to a private-sector business.

Information in the government-wide financial statements is segregated into governmental activities and business-type activities. Business-type activities are the water, sanitary, and storm sewer utilities, streets, and telecommunications. These activities are intended to be self-supporting, with utility charges for services and restricted intergovernmental revenue (for streets) covering operations, and infrastructure development fees funding capital improvements. Governmental activities include Administration (City Manager, Finance, City Recorder, Human Resources, and Information Services); Community Development (Engineering, Planning, and Building); Community Services (Library, Fieldhouse, and Events and Recreation); Public Safety (Police and Emergency Management); Public Works (Administration and Facilities, and Parks Maintenance); and Asset Depreciation, Urban Renewal, General Construction, and Debt Service activities. These activities are supported to a large degree by property taxes.

The statement of net assets shows the City's assets and liabilities, with the difference between the two reported as net assets. All capital assets and long-term liabilities, including those attributable to general government functions, are shown in the statement of net assets.

The statement of activities shows revenues, expenses, and the change in net assets for the City as a whole. Revenues and expenses attributable to specific departments and programs are segregated from general revenues, to display the extent to which general revenues support each function.

Fund financial statements: A fund is a distinct accounting entity that is used to segregate resources restricted to particular purposes. All of the City's funds are categorized as either governmental funds or proprietary funds.

Governmental funds account for the same functions as reported as governmental activities in the government-wide financial statements. However, as more fully explained in the notes to the financial statements, governmental funds focus on measuring available spendable resources. This information is essential for preparation of and compliance with annual budgets. It is a narrower perspective than used in the government-wide financial statements, which include long-term resources and uses. A reconciliation between the balance sheet for governmental funds and the statement of net assets for governmental activities is presented following the former. A reconciliation between the statement of revenues, expenditures, and changes in fund balances for governmental funds and the statement of activities for governmental activities also follows the former.

Enterprise fund financial statements provide the same information as the government-wide financial statements, only in more detail.

The City adopts an annual appropriated budget for each of its funds, and budgetary comparisons have been provided for each.

Notes to the basic financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Required supplementary information: In addition to the basic financial statements and notes, this report also presents required supplementary information, and budget schedules for the General Fund and major special revenue funds.

Other supplementary information: Budgetary schedules for all other funds are included here, as well as schedules of property tax transactions for both the City and the Urban Renewal Agency.

Statistical information: Statistical schedules for fund, government wide, general government, property taxes, debt, and other information are included here.

Government-wide Financial Analysis

Comparative data for the Statements of Net Assets follows.

City of Sherwood
 Statements of Net Assets
 June 30,

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 5,454,158	\$ 6,594,507	\$ 19,313,771	\$ 20,123,198	\$ 24,767,929	\$ 26,717,705
Capital assets	35,163,958	36,136,194	105,242,994	97,280,212	140,406,952	133,416,406
Total assets	<u>40,618,116</u>	<u>42,730,701</u>	<u>124,556,765</u>	<u>117,403,410</u>	<u>165,174,881</u>	<u>160,134,111</u>
Other liabilities	566,414	820,133	1,441,664	1,683,102	2,008,078	2,503,235
Long-term liabilities	28,327,611	30,088,643	20,753,380	17,279,414	49,080,991	47,368,057
Total liabilities	<u>28,894,025</u>	<u>30,908,776</u>	<u>22,195,044</u>	<u>18,962,516</u>	<u>51,089,069</u>	<u>49,871,292</u>
Net assets						
Investment in capital assets, net of related debt	14,235,108	12,402,695	84,563,361	80,054,150	98,798,469	92,456,845
Restricted	94,621	1,040,102	10,501,066	12,792,835	10,595,687	13,832,937
Unrestricted	(2,605,639)	(1,620,872)	7,297,289	5,593,909	4,691,650	3,973,037
Total net assets	<u>\$ 11,724,090</u>	<u>\$ 11,821,925</u>	<u>\$ 102,361,717</u>	<u>\$ 98,440,894</u>	<u>\$ 114,085,807</u>	<u>\$ 110,262,819</u>

At June 30, 2010, the City reported total assets of \$165,174,881. Of this amount, \$140,406,952 represented long-lived capital assets, net of depreciation. The capital assets are used to provide services to the residents of the City of Sherwood and do not represent spendable resources available for budgetary appropriation.

In the current year, governmental revenues were approximately \$97,800 less than governmental expenses, and business-type revenues were approximately \$3,920,800 more than expenses, yielding a net increase overall of approximately \$3,823,000. Governmental revenues were less than the previous year, while expenses were more. Business-type revenues increased, while expenses stayed constant.

The comparative Statement of Activities is as follows:

City of Sherwood
 Statements of Activities
 For the year ended June 30,

	2010			2009		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues						
Program revenues						
Charges for services	\$ 1,366,664	\$ 6,067,660	\$ 7,434,324	\$ 1,912,531	\$ 4,850,615	\$ 6,763,146
Operating grants and contributions	1,181,504	1,761,107	2,942,611	797,277	1,979,035	2,776,312
Capital grants and contributions	124,903	2,455,333	2,580,236	1,012,409	3,717,888	4,730,297
General revenues						
Property taxes	8,006,976	-	8,006,976	7,525,619	-	7,525,619
Franchise fees	1,646,827	-	1,646,827	1,392,529	-	1,392,529
Intergovernmental	326,799	-	326,799	364,407	-	364,407
Other general revenue	43,517	1,355,965	1,399,482	132,933	579,612	712,545
Sale of capital assets	196,290	-	196,290	-	-	-
Total revenues	12,893,480	11,640,065	24,533,545	13,137,705	11,127,150	24,264,855
Expenses						
Administration	4,396,849	-	4,396,849	3,355,687	-	3,355,687
Community development	1,514,472	-	1,514,472	1,705,761	-	1,705,761
Public safety	3,817,798	-	3,817,798	3,937,639	-	3,937,639
Community services	1,717,317	-	1,717,317	1,678,574	-	1,678,574
Public works	1,280,597	-	1,280,597	1,301,233	-	1,301,233
Interest on long-term debt	1,131,451	-	1,131,451	1,548,302	-	1,548,302
Water	-	2,682,923	2,682,923	-	2,880,009	2,880,009
Sanitary	-	456,138	456,138	-	526,200	526,200
Storm	-	671,150	671,150	-	659,026	659,026
Street	-	2,834,235	2,834,235	-	2,444,678	2,444,678
Telecommunications	-	207,628	207,628	-	320,854	320,854
Total expenses	13,858,484	6,852,074	20,710,558	13,527,196	6,830,767	20,357,963
Change in net assets before transfers	(965,004)	4,787,991	3,822,987	(389,491)	4,296,383	3,906,892
Transfers in/(out)	867,169	(867,169)	-	(552,516)	552,516	-
Change in net assets	(97,835)	3,920,822	3,822,987	(942,007)	4,848,899	3,906,892
Beginning net assets	11,821,925	98,440,894	110,262,819	12,763,932	93,591,995	106,355,927
Ending net assets	\$ 11,724,090	\$ 102,361,716	\$ 114,085,806	\$ 11,821,925	\$ 98,440,894	\$ 110,262,819

Governmental activities:

Governmental expenses were funded from the following sources:

City of Sherwood
 Governmental Activities - Percentage of Funding
 For the year ended June 30,

	2010	2009
Charges for services	11%	15%
Property taxes	62%	59%
Other	27%	26%
Total revenues	100%	100%

Overall, total revenues and expenses remained fairly constant.

Business-type activities:

As in governmental activities, total revenues and expenses remained fairly constant.

Fund Financial Analysis

Governmental funds: The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, unreserved fund balance measures the City's net resources available for spending in the next fiscal year. At June 30, 2010, total fund balance of the governmental funds was \$4,174,329.

The General Fund had a fund balance of \$1,862,794 at June 30, 2010, an increase of \$964,041. The increase was due primarily to the cost saving efforts of the city staff.

General Fund Budgetary Highlights

During the year, a supplemental budget was adopted which increased expenditures by \$77,500. The reason for the supplemental budget was to provide funding for capital projects in other funds. Actual revenue for the year was approximately \$468,000 less than budgeted revenue. Actual expenditures for the year were approximately \$611,000 less than budgeted expenditures.

Significant Changes in Major Funds

The General Fund balance increased approximately \$1,000,000 from 2009 due to cost cutting measures by city staff. The General Construction fund balance decreased by approximately 90%, this is due to the completion of the Stella Olsen Stage Cover and the Stella Olsen Parking lot projects. The Water fund balance decreased about \$1,000,000 from 2009 due to work on the water reservoir and pipeline projects. The Sanitary fund balance decreased about \$500,000 from 2009 due to infrastructure in the new Brookman area development. The Street fund balance increased approximately \$800,000 due to the receipt of loan proceeds for the Adams Ave. project. The Telecom fund balance doubled from 2009 due to the reduction of capital costs and an increase in service revenue. The URA fund balance decreased approximately \$1,000,000 due to capital costs related to the Cannery project.

Capital Assets

The City's investment in capital assets at June 30, 2010 was \$140,406,952 net of accumulated depreciation.

Capital assets, net of depreciation, were as follows. Details of the changes in capital assets can be found in the

notes to the financial statements.

		City of Sherwood Capital Assets June 30,	
		<u>2010</u>	<u>2009</u>
Governmental activities			
Nondepreciable capital assets	\$	9,534,926	\$ 9,301,914
Depreciable capital assets, net		25,629,033	26,834,280
Total		<u>35,163,959</u>	<u>36,136,194</u>
Business-type activities			
Nondepreciable capital assets		33,548,239	30,784,012
Depreciable capital assets, net		71,694,755	66,496,200
Total		<u>105,242,994</u>	<u>97,280,212</u>
Total			
Nondepreciable capital assets		43,083,165	40,085,926
Depreciable capital assets, net		97,323,788	93,330,480
Total		<u>\$ 140,406,952</u>	<u>\$ 133,416,406</u>

Debt Administration

At June 30, 2010, the City of Sherwood had \$6,365,000 in general obligation bonds and \$42,308,485 in other debt outstanding. All debt is secured by the full faith and credit of the City. The general obligation bonds are repaid by property tax levies. The other debt is being repaid by rent of the recreational facility, system development charges, property tax increment revenue from the City of Sherwood Urban Renewal Agency, and unrestricted resources. Changes in debt are detailed in the notes.

On May 1, 2010 Moody’s Investors Service initiated the local government recalibration of its municipal rating scale. All municipal credits rated by Moody’s were changed to a Global Scale Rating (GSR), which better reflects the underlying credit quality of municipal issuers compared to that of corporate or sovereign issuers. The City of Sherwood had an A2 rating under the Municipal rating scale and now has an Aa3 rating under the GSR.

Economic Factors and Next Year’s Budget and Rates

Sherwood’s population growth has slowed considerably over the last four years. Growth levels are expected to range from 1 - 3% until the economy starts to turn. The urban growth boundary has been increased, allowing for development once building activity increases.

The budget for the year beginning July 1, 2010 includes capital project expenditures of over \$18,000,000, with a new water supply being the largest project scheduled for construction. In addition, expenditures related to a new water source are expected to total an additional \$5-\$10 million in the next few years. Operating uses are budgeted to increase to \$76,465.

Requests for Information

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Director, 22560 SW Pine Street, Sherwood, Oregon 97140.

City of Sherwood, Oregon
Statement of Net Assets
June 30, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,539,971	\$ 18,531,303	\$ 23,071,274
Receivables	529,081	782,468	1,311,549
Deferred charges	385,106	-	385,106
Total current and other assets	5,454,158	19,313,771	24,767,929
Capital assets:			
Nondepreciable capital assets	9,534,926	33,548,238	43,083,164
Capital assets being depreciated	35,049,820	97,746,859	132,796,679
Less accumulated depreciation	(9,420,788)	(26,052,103)	(35,472,891)
Total capital assets	35,163,958	105,242,994	140,406,952
Total assets	40,618,116	124,556,765	165,174,881
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable	221,782	954,144	1,175,926
Current portion of long-term debt	8,861,815	10,481,044	19,342,859
Other current liabilities	344,632	487,520	832,152
Current portion of compensated absences payable	133,509	29,500	163,009
Noncurrent liabilities	19,332,287	10,242,836	29,575,123
Total liabilities	28,894,025	22,195,044	51,089,069
Net assets:			
Invested in capital assets, net of related debt	14,235,108	84,563,361	98,798,469
Restricted for:			
Capital projects	85,089	10,501,066	10,586,155
Debt service	9,532	-	9,532
Unrestricted	(2,605,639)	7,297,289	4,691,650
Total net assets	\$ 11,724,090	\$ 102,361,716	\$ 114,085,806

The accompanying notes are an integral part of the financial statements.

**City of Sherwood, Oregon
 Statement of Activities
 For the Year Ended June 30, 2010**

Departments/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Administration	\$ 4,396,849	\$ 613,475	\$ 2,886	\$ -
Community Development	1,514,472	263,475	433,505	124,903
Public Safety	3,817,798	48,975	61,951	-
Community Services	1,717,317	275,851	683,162	-
Public Works	1,280,597	164,888	-	-
Interest and costs of long-term debt	1,131,451	-	-	-
Total governmental activities	<u>13,858,484</u>	<u>1,366,664</u>	<u>1,181,504</u>	<u>124,903</u>
Business-type activities:				
Water	2,682,923	3,780,473	-	398,682
Sanitary	456,138	456,512	-	521,268
Storm	671,150	1,330,603	-	345,319
Street	2,834,235	313,273	1,749,107	1,190,064
Telecommunications	207,628	186,799	12,000	-
Total business-type activities	<u>6,852,074</u>	<u>6,067,660</u>	<u>1,761,107</u>	<u>2,455,333</u>
Total	<u><u>\$ 20,710,558</u></u>	<u><u>\$ 7,434,324</u></u>	<u><u>\$ 2,942,611</u></u>	<u><u>\$ 2,580,236</u></u>

General revenue:
 Taxes
 Franchise fees
 Intergovernmental
 Interest
 Other revenue
 Gain on sale of capital assets
 Transfers
 Total general revenue and transfers
 Change in net assets
 Net assets - beginning
 Net assets - ending

<u>Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
\$ (3,780,488)	\$ -	\$ (3,780,488)
(692,589)	-	(692,589)
(3,706,872)	-	(3,706,872)
(758,304)	-	(758,304)
(1,115,709)	-	(1,115,709)
<u>(1,131,451)</u>	<u>-</u>	<u>(1,131,451)</u>
(11,185,413)	-	(11,185,413)
-	1,496,232	1,496,232
-	521,642	521,642
-	1,004,772	1,004,772
-	418,209	418,209
-	<u>(8,829)</u>	<u>(8,829)</u>
-	3,432,026	3,432,026
8,006,976	-	8,006,976
1,646,827	-	1,646,827
326,799	-	326,799
43,517	135,701	179,218
-	1,220,264	1,220,264
196,290	-	196,290
867,169	(867,169)	-
<u>11,087,578</u>	<u>488,796</u>	<u>11,576,374</u>
(97,835)	3,920,822	3,822,987
11,821,925	98,440,894	110,262,819
<u>\$ 11,724,090</u>	<u>\$ 102,361,716</u>	<u>\$ 114,085,806</u>

The accompanying notes are an integral part of the financial statements.

City of Sherwood, Oregon
Balance Sheet - Governmental Funds
As of June 30, 2010

	General	Asset Depre- ciation	Urban Renewal Agency General	General Construction	Debt Service	Total Governmental Funds
ASSETS						
Cash	\$ 2,053,980	\$ 405,998	\$ 1,983,161	\$ 87,294	\$ 9,532	\$ 4,539,965
Receivables	395,704	-	133,382	-	-	529,086
Total assets	<u>\$ 2,449,684</u>	<u>\$ 405,998</u>	<u>\$ 2,116,543</u>	<u>\$ 87,294</u>	<u>\$ 9,532</u>	<u>\$ 5,069,051</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 45,039	\$ -	\$ 174,036	\$ 2,205	\$ -	\$ 221,280
Other liabilities	316,201	-	-	-	-	316,201
Deferred revenue	225,650	-	131,593	-	-	357,243
Total liabilities	<u>586,889</u>	<u>-</u>	<u>305,629</u>	<u>2,205</u>	<u>-</u>	<u>894,723</u>
Fund balances:						
Reserved for:						
Unreserved, undesignated	1,862,794	405,998	1,810,913	85,089	9,532	4,174,326
Total fund balances	<u>1,862,794</u>	<u>405,998</u>	<u>1,810,913</u>	<u>85,089</u>	<u>9,532</u>	<u>4,174,326</u>
Total liabilities & fund balances	<u>\$ 2,449,684</u>	<u>\$ 405,998</u>	<u>\$ 2,116,543</u>	<u>\$ 87,294</u>	<u>\$ 9,532</u>	<u>\$ 5,069,051</u>

The accompanying notes are an integral part of the financial statements.

**City of Sherwood, Oregon
 Reconciliation of the Balance Sheet - Governmental Funds,
 to the Statement of Net Assets
 June 30, 2010**

Total fund balances reported for governmental funds in the balance sheet differs from net assets reported in the statement of net assets for governmental activities. The nature and amount of the differences is explained below:

Total fund balances - governmental funds	\$ 4,174,326
 Long-term debt:	
Principal balances of bonds, notes, and capital leases, and related unamortized deferrals, are reported on the statement of net assets but not in the funds. All liabilities are reported in the statement of net assets; the funds report only those that will be liquidated with available resources.	
Long-term liabilities	(27,993,839)
Deferred charges	385,106
 Governmental funds record only those liabilities that will be liquidated with available resources; the statement of net assets records expenses for all liabilities incurred, regardless of when they will be paid.	
Compensated absences	(333,772)
Accrued interest payable	(28,933)
 Capital assets:	
Capital assets, net of depreciation, are recorded on the statement of net assets but not in the funds.	
Cost	44,584,746
Accumulated depreciation	(9,420,788)
 Deferred revenue:	
Governmental funds record property taxes due but not received within thirty days of year-end as deferred revenue, a liability. The statement of net assets does not show deferred revenue for property taxes.	
	357,244
 Total net assets - governmental activities	 <u>\$ 11,724,090</u>

The accompanying notes are an integral part of the financial statements.

City of Sherwood, Oregon
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2010

	General	Asset Depre- ciation	General Construction	Debt Service	Urban Renewal Agency General	Total Governmental Funds
REVENUE						
Taxes	\$ 4,039,542	\$ -	\$ -	\$ 916,779	\$ 3,019,360	\$ 7,975,681
Licenses and permits	83,009	-	-	-	-	83,009
Franchise fees	1,578,593	-	-	-	-	1,578,593
Intergovernmental	1,257,337	-	291,317	-	-	1,548,654
Charges for services	465,738	27,549	-	-	42,081	535,368
Rental income	173,191	-	18,250	-	10,000	201,441
Infrastructure development fees	114,396	-	124,903	-	-	239,299
Fines, finance charges & forfeitures	347,328	-	-	-	-	347,328
Interest	13,855	2,534	4,699	824	21,603	43,515
Other revenue	98,784	-	-	-	14,222	113,006
Total revenue	8,171,773	30,083	439,169	917,603	3,107,266	12,665,894
EXPENDITURES						
Administration	309,456	-	4,690	-	2,834,805	3,148,951
Community Development	1,274,000	(136)	68,769	-	94,551	1,437,184
Public Safety	3,696,119	-	-	-	-	3,696,119
Community Services	1,416,830	-	7,676	-	1,563	1,426,069
Public Works	791,159	136	5,415	-	6,123	802,833
Debt service						
Principal	136,596	-	522,250	670,000	911,016	2,239,862
Interest	50,416	-	32,049	266,070	723,198	1,071,733
Capital Outlay	163,986	50,000	521,989	-	267,747	1,003,722
Total expenditures	7,838,562	50,000	1,162,838	936,070	4,839,003	14,826,473
OTHER FINANCING SOURCES (USES)						
Transfers in	680,082	130,004	49,252	-	-	859,338
Transfers out	(49,252)	(57,715)	(200,000)	-	(250,000)	(556,967)
Proceeds from long-term debt	-	-	-	-	1,000,000	1,000,000
Total other financing sources(uses)	630,830	72,289	(150,748)	-	750,000	1,302,371
Net change in fund balances	964,041	52,372	(874,417)	(18,467)	(981,738)	(858,205)
Fund balances - beginning	898,753	353,625	959,507	27,999	2,792,650	5,032,534
Fund balances - ending	<u>\$ 1,862,794</u>	<u>\$ 405,998</u>	<u>\$ 85,090</u>	<u>\$ 9,532</u>	<u>\$ 1,810,914</u>	<u>\$ 4,174,329</u>

The accompanying notes are an integral part of the financial statements.

**City of Sherwood, Oregon
 Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balances - Governmental Funds, to the Statement of Activities
 For the Year Ended June 30, 2010**

Amounts reported for governmental funds in the statement of revenues, expenditures and changes in fund balances differ from amounts reported in the statement of activities for governmental activities. The nature of the differences is explained in Note 1. Amounts are:

Net change in fund balances - governmental funds	\$ (858,207)
 Long-term debt:	
Governmental funds record the proceeds from issuance of bonds, notes, and capital leases as increases in resources; payments of principal are recorded as uses of resources. The statement of activities does not show issuance of debt nor principal payments. In addition, the statement of activities includes the effects of accrued interest and amortization of bond premiums; the governmental funds do not.	
Principal paid	2,239,862
Amortization of bond premium and issue costs	(64,185)
Proceeds from issuance of debt	(1,000,000)
Reclassification of loan balance to Enterprise Funds	564,798
 Governmental funds record expenditures only for those liabilities that will be liquidated with available resources; the statements of activities records expenses for all liabilities incurred, regardless of when they will be paid.	
Compensated absences	(43,628)
Accrued interest payable	4,468
 Capital assets:	
Governmental funds record the purchase of capital assets as decreases in resources. For the statement of activities, only depreciation, which represents the usage of capital assets over time, is recorded as a use of resources.	
Reclass capital assets between funds	
Capital outlay	1,003,722
Depreciation	(1,839,189)
Net book value of assets sold	(136,769)
 Deferred revenue:	
Governmental funds record property taxes due but not received within thirty days of year-end as deferred revenue, a liability. For the statement of activities, all property taxes receivable are recognized as revenue, regardless of when received.	
	31,294
 Change in net assets - governmental activities	 <u>\$ (97,835)</u>

The accompanying notes are an integral part of the financial statements.

City of Sherwood, Oregon
Balance Sheet - Enterprise Funds
June 30, 2010

	Water	Sanitary	Storm	Street	Telecom	Total Enterprise Funds
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 8,776,140	\$ 3,563,257	\$ 469,925	\$ 5,686,057	\$ 35,924	\$ 18,531,303
Receivables	323,056	245,068	158,649	27,865	27,830	782,468
Total current assets	9,099,196	3,808,325	628,574	5,713,922	63,754	19,313,771
Noncurrent assets:						
Capital assets:						
Nondepreciable capital assets	29,439,160	199,042	21,098	3,888,938	-	33,548,238
Capital assets being depreciated	18,855,057	10,602,231	19,180,866	48,204,271	904,434	97,746,859
Less: accumulated depreciation	(3,339,345)	(1,412,841)	(2,344,884)	(18,594,693)	(360,340)	(26,052,103)
Total noncurrent assets	44,954,872	9,388,432	16,857,080	33,498,516	544,094	105,242,994
Total assets	54,054,068	13,196,757	17,485,654	39,212,438	607,848	124,556,765
LIABILITIES						
Current liabilities:						
Accounts payable	920,761	47	157	25,677	7,502	954,144
Current portion of noncurrent liabilities	10,269,135	44,580	146,206	49,337	1,286	10,510,544
Other current liabilities	407,052	10,800	-	69,668	-	487,520
Total current liabilities	11,596,948	55,427	146,363	144,682	8,788	11,952,208
Noncurrent liabilities:						
Bonds, notes, and compensated absences payable	8,626,481	59,222	351,045	1,204,159	1,929	10,242,836
Total liabilities	20,223,429	114,649	497,408	1,348,841	10,717	22,195,044
NET ASSETS						
Invested in capital assets, net of related debt	26,095,115	9,292,264	16,372,806	32,259,082	544,094	84,563,361
Restricted for capital projects	2,314,457	3,737,692	308,663	4,140,254	-	10,501,066
Unrestricted	5,421,066	52,152	306,775	1,464,259	53,037	7,297,289
Net assets	\$ 33,830,638	\$ 13,082,108	\$ 16,988,244	\$ 37,863,595	\$ 597,131	\$ 102,361,716

The accompanying notes are an integral part of the financial statements.

City of Sherwood, Oregon
Statement of Revenues, Expenses, and Changes in Net Assets - Enterprise Funds
For the Year Ended June 30, 2010

	Water	Sanitary	Storm	Street	Telecom.	Total Enterprise Funds
Operating revenues:						
Intergovernmental:						
State shared revenue	\$ -	\$ -	\$ -	\$ 683,623	\$ -	\$ 683,623
County revenue	-	-	-	65,484	-	65,484
Other Intergovernmental	-	-	-	1,000,000	12,000	1,012,000
Charges for services:						
Utility charges for services	3,771,112	455,693	1,330,431	311,009	183,351	6,051,596
Other charges for services	2,443	647	-	2,154	3,448	8,692
Utility connection fees	6,918	172	172	110	-	7,372
Other revenue	1,152,492	65,543	-	2,229	-	1,220,264
Total operating revenues	4,932,965	522,055	1,330,603	2,064,609	198,799	9,049,031
Operating expenses:						
Personal services:						
Salaries and wages	524,136	174,836	156,299	199,119	15,719	1,070,109
Employment taxes	48,583	16,953	18,847	21,301	1,101	106,785
Benefits	182,676	48,958	47,659	66,274	3,605	349,172
Materials and services:						
Professional & technical services	623,156	(171,706)	68,491	(103,732)	12,867	429,076
Facility and equipment	103,396	14,275	13,692	305,106	42,002	478,471
Other purchased services	300,329	134,354	78,314	30,970	43,163	587,130
Supplies	105,623	7,477	15,721	50,109	63	178,993
Community Activities						
Minor equipment purchases	11,742	2,444	-	-	7,235	21,421
Other materials and services	240,114	126,801	89,149	117,109	4,561	577,734
Depreciation	262,231	96,175	161,643	2,142,115	77,312	2,739,476
Total operating expenses	2,401,986	450,567	649,815	2,828,371	207,628	6,538,367
Operating income (loss)	2,530,979	71,488	680,788	(763,762)	(8,829)	2,510,664
Nonoperating revenue (expenses):						
Interest revenue	56,529	25,068	3,982	49,893	229	135,701
Interest expense	(280,937)	(5,571)	(21,335)	(5,864)	-	(313,707)
Total nonoperating revenue	(224,408)	19,497	(17,353)	44,029	229	(178,006)
Income before contributions	2,306,571	90,985	663,435	(719,733)	(8,600)	2,332,658
Capital contributions	398,682	521,268	345,319	1,190,064	-	2,455,333
Transfers from other funds	538,013	-	-	2,986	-	540,999
Transfers to other funds	(177,991)	(219,245)	(684,775)	(326,157)	-	(1,408,168)
Change in net assets	3,065,275	393,008	323,979	147,160	(8,600)	3,920,822
Net assets - beginning	30,765,363	12,689,100	16,664,265	37,716,435	605,731	98,440,894
Net assets - ending	\$ 33,830,638	\$ 13,082,108	\$ 16,988,244	\$ 37,863,595	\$ 597,131	\$ 102,361,716

The accompanying notes are an integral part of the financial statements.

City of Sherwood, Oregon
Statement of Cash Flows - Enterprise Funds
For the Year Ended June 30, 2010

	Water	Sanitary	Storm	Street	Telecom	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and builders	\$ 4,683,118	\$ 745,995	\$ 1,299,970	\$ 2,036,726	\$ 182,484	\$ 8,948,293
Payments to employees	(719,536)	(240,895)	(224,420)	(287,251)	(17,210)	(1,489,312)
Payments to suppliers and contractors	(811,740)	(624,659)	(382,037)	(441,935)	(113,016)	(2,373,387)
Net cash provided (used) by operating activities	<u>3,151,842</u>	<u>(119,559)</u>	<u>693,513</u>	<u>1,307,540</u>	<u>52,258</u>	<u>5,085,594</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers (to) from other funds for operations	503,009	(83,407)	(541,788)	(180,185)	-	(302,371)
Net cash provided (used) by noncapital financing	<u>503,009</u>	<u>(83,407)</u>	<u>(541,788)</u>	<u>(180,185)</u>	<u>-</u>	<u>(302,371)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES						
Interest paid on long-term debt	(281,376)	(5,573)	(21,341)	(5,866)	-	(314,156)
Proceeds from issuance of debt	3,152,556	-	-	-	-	3,152,556
Debt principal paid	(41,758)	(39,670)	(135,728)	(41,758)	-	(258,914)
Purchase of capital assets	(7,144,837)	(523,428)	(67,615)	(470,028)	(41,016)	(8,246,924)
Net cash used by capital financing activities	<u>(4,315,415)</u>	<u>(568,671)</u>	<u>(224,684)</u>	<u>(522,522)</u>	<u>(41,016)</u>	<u>(5,672,308)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest receipts	56,529	25,068	3,982	49,893	229	135,701
Net increase (decrease) in cash	(604,035)	(746,569)	(68,977)	654,726	11,471	(753,384)
Cash and cash equivalents at June 30, 2009	9,380,175	4,309,826	538,900	5,031,328	24,454	19,284,683
Cash and cash equivalents at June 30, 2010	<u>\$ 8,776,140</u>	<u>\$ 3,563,257</u>	<u>\$ 469,925</u>	<u>\$ 5,686,057</u>	<u>\$ 35,924</u>	<u>\$ 18,531,303</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities						
Operating income (loss)	\$ 2,530,979	\$ 71,488	\$ 680,788	\$ (763,762)	\$ (8,829)	\$ 2,510,664
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	262,231	96,175	161,643	2,142,115	77,312	2,739,476
(Increase) decrease in receivables	(93,062)	223,940	(30,633)	(27,883)	(16,315)	56,047
Increase (decrease) in accounts payable	572,620	(105,384)	(29,156)	(27,373)	(3,125)	407,582
Increase (decrease) in compensated absences payable	35,859	(148)	(1,615)	(557)	3,215	36,754
Increase (decrease) in other current liabilities	(156,785)	(405,630)	(87,514)	(15,000)	-	(664,929)
Net cash provided (used) by operating activities	<u>\$ 3,151,842</u>	<u>\$ (119,559)</u>	<u>\$ 693,513</u>	<u>\$ 1,307,540</u>	<u>\$ 52,258</u>	<u>\$ 5,085,594</u>
Noncash capital activities						
Capital contribution - private developers	\$ 398,682	\$ 521,268	\$ 345,319	\$ 1,190,064	\$ -	\$ 2,455,333
Refinancing of water debt	10,000,000	-	-	-	-	10,000,000

The accompanying notes are an integral part of the financial statements.

City of Sherwood, Oregon
Notes to the Financial Statements
June 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

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

The City of Sherwood Urban Renewal Agency (URA), formed July 1, 2001, 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 government-wide financial statements, blended with the City. Financial statements of the City of Sherwood Urban Renewal Agency may be obtained from the Finance Director of the City.

There are other governmental agencies and service districts which provide services within the City. These agencies have independently elected governing boards and the City is not financially accountable for these organizations. Therefore, financial information for these agencies is not included in the accompanying basic financial statements.

B. Government-wide and fund financial statements

The City budgets and maintains its accounting records by fund. Each fund is a distinct fiscal and accounting entity which segregates resources in accordance with specific restrictions or regulations. This report includes both fund financial statements and government-wide financial statements.

The fund financial statements and schedules report information using the measurement focus and basis of accounting appropriate to the particular type of fund. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all the activities of the City using a single measurement focus and basis of accounting.

The government-wide financial statements report governmental activities, which normally are supported by taxes and intergovernmental revenues, separately from business-type activities, which rely to a significant extent on user charges for support.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given department or program is offset by related revenues. Direct expenses are those that are clearly identifiable with a specific department or program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given department or program, 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular department or program, and 3) business license revenue. Taxes and other items not properly included among program revenues are reported instead as general revenues. General revenue includes the following:

Intergovernmental: revenue from State revenue sharing, cigarette, and liquor taxes, not attributable to or restricted to any one department or program.

Infrastructure development fees: System development charges for parks, restricted to general government capital projects.

C. Measurement focus and basis of accounting

Both the government-wide financial statements and the enterprise fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Measurement focus defines the types of transactions or events that are recorded in a fund's operating statement. Enterprise funds focus on changes in economic resources, much like that of a private-sector business. Governmental funds focus on changes in resources available for spending. The major differences between the two

measurement focuses are the treatment of long-term debt and capital assets. Governmental funds record issuance of long-term debt, principal payments on long-term debt, and the resources provided and used by the sale and purchase of capital assets on their operating statements as revenue, expenditures, and other financing sources and uses. Proprietary funds do not record these items on their operating statements, but do record depreciation expense as capital assets are exhausted through use over time.

Basis of accounting defines when transactions or events are recorded. Under the accrual basis of accounting used by the enterprise funds, revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of when the related cash is received or used. Under the modified accrual basis of accounting used by governmental funds, revenues are recognized when they become available and measurable. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 30 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

D. Funds

The City has the following governmental funds:

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

Urban Renewal: The Urban Renewal Fund is the General Fund of the Urban Renewal Agency. The fund accounts for tax increment funds of the agency, operational costs, and debt service payments.

Special revenue: The Asset Depreciation Fund (Resolution 2002-020) is a reserve fund, defined in Oregon budget law that accumulates money from year to year for major capital asset purchases, improvement, and repair, other than those funded by restricted resources. The Urban Renewal Agency General Fund is included as a special revenue fund in these financial statements.

Capital projects: The General Construction Fund records revenue used to acquire land and to construct City buildings, parks, sports fields, recreational facilities, and trails.

Debt service: The Debt Service Fund accounts for property tax revenues restricted for payment of general obligation bonds. Payments of long-term debt other than general obligation bonds are accounted for in the General Fund.

Enterprise funds are used for operations that are similar to business enterprises, where the intent is that costs be recovered primarily through user charges or where determination of net income or loss is useful for public policy. The City has five enterprise funds: Water, Sanitary Sewer, Storm Sewer, Street, and Telecommunications. Each fund records both maintenance activities and capital projects. The Street Fund receives restricted funding from other governments for operations and infrastructure development fees for capital construction.

E. Fund financial statement presentation

Accounting principles generally accepted in the United States of America define major and nonmajor funds and segregate and combine certain financial statements for those considered nonmajor. The City of Sherwood has relatively few funds and has chosen to report all of them as major.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Enterprise funds distinguish between operating revenues and expenses and nonoperating items. Operating revenues and expenses result from providing services in connection with the utility's ongoing operations. The

principal operating revenues are charges to customers for services, infrastructure development fees charged on building permits, and intergovernmental revenue restricted to Street operations. Operating expenses include contracted services for the regional sewage treatment facility, and depreciation. All revenues and expenses not considered operating are reported as nonoperating items.

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.

F. Assets, liabilities, and net assets or equity

1. Deposits and investments

Cash and cash equivalents include cash on hand, demand deposits, balances in the Oregon State Treasury's Local Government Investment Pool (LGIP), and loan proceeds held by the Oregon Economic and Community Development Department (OECDD).

LGIP balances can be withdrawn with one day's notice. The LGIP operates in accordance with appropriate state laws and regulations. Reported values of the City's share of the LGIP are the same as fair values.

2. Receivables

Accounts receivable are largely for property taxes, municipal court fines, and utility services. Property tax receivables become liens on real property if not paid. Consequently, no allowances for uncollectible accounts are provided for them. An allowance for uncollectible accounts has been recorded for court fines receivable.

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. The change in taxes receivable from fiscal year 2008-2009 to fiscal year 2009-2010 is an increase of \$31,294.

3. Capital assets

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

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

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

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

<u>Assets</u>	<u>Years</u>
Infrastructure:	
Paved streets	20
Other	100
Buildings	50 to 60
Land improvements	12 to 20
Machinery and equipment	7 to 20
Licensed vehicles	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 financial statements. A liability for these amounts is reported in the governmental funds only if they are due because of employee separation, such as resignation or retirement.

5. Long-term debt

In the government-wide and proprietary fund financial statements, long-term debt is reported as a liability of the applicable activity. Bond premiums, discounts, deferred charges, and issuance costs are deferred and 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 and issuance costs are reported as deferred charges 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.

6. System development charges

As part of a new housing or commercial development, developers may be required to construct public improvements such as storm drains, sewer lines, and streets. The developers can apply for system development charge (SDC) credits for the eligible cost of those improvements. When building permits are applied for, SDC's are charged; simultaneously, the developers can offset the SDC charge by using SDC credits that had been previously granted. The credits granted are useable for 7 years after acceptance of the public improvements by the City. Any credits not used by then expire. Unused credits are considered a long-term liability and are included in the statement of net assets.

7. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. State law provides that the cumulative surplus of the Building Department be reserved to cover any future deficits. Designations of fund balance reflect intended use of resources approved by the City Council.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The City records all personnel and indirect costs in the General Fund departments. Periodically, other departments and funds are charged for the net costs incurred on their behalf. The reimbursements are made based on revenue and expenditures recorded on the budgetary basis – the current financial resources measurement focus and the modified accrual basis of accounting.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

In accordance with Oregon budget law, the City budgets all funds, including enterprise funds, using the current financial resources measurement focus. Actual results for enterprise funds are shown on both the budgetary (current financial resources) and GAAP basis (economic resources) in this financial report.

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 or by type, as follows:

The General Fund is split into departments which reflect city programs and managerial responsibilities. These are grouped into five divisions for purposes of appropriations. The divisions are:

- Administration
- Public Safety
- Public Works
- Community Development
- Community Services

The Asset Depreciation, Debt Service, Urban Renewal, General Construction, and the Telecommunication Funds are appropriated based on personal services, materials and services, capital outlay, debt service, transfers out and contingency.

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 so long as appropriations at the legal level of control are not changed. The City Council can amend the budget at the legal level of control within certain limits specified by statute.

Final budget amounts in the statements and schedules in the Financial Section reflect the original budget and supplemental budgets.

All appropriations lapse at fiscal year-end.

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

Cash and Investments are reflected on the Statement of Net Assets at June 30, 2010 as follows:

	<u>Carrying Value</u>	<u>Fair Value</u>
<i>Deposits</i>		
Petty cash	\$ 2,100	\$ 2,100
Deposits with financial institutions	1,403,566	1,403,566
<i>Investments</i>		
Local Government Investment Pool	21,665,608	21,665,608
	<u>\$ 23,071,274</u>	<u>\$ 23,071,274</u>

Deposits

At June 30, 2010, the City's deposits with various financial institutions had a bank value of \$1,782,836. All deposits not covered by FDIC insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon. The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities.

Custodial Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. At June 30, 2010, the City had deposits of \$250,000 insured by federal depository insurance and \$1,532,836 collateralized under the PFCP.

Investments

The State Treasurer of the State of Oregon maintains the Oregon Short-Term Fund, of which the Local Government Investment Pool is part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, the investment funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. The Oregon Short-Term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon investment Council (ORS 294.805 to 294.895). At June 30, 2010, the fair value of the position in the Oregon State Treasurer's Short-Term Investment Pool was approximately equal to the value of the pool shares. The investment in the Oregon Short-Term Fund is not subject to risk evaluation. Separate financial statements for the Oregon Short-Term Fund are available from the Oregon State Treasurer.

Custodial Risk – Investments

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

The LGIP is administered by the Oregon State Treasury with the advice of other state agencies and is not registered with the U. S. Securities and Exchange Commission. The LGIP is an open-ended no-loan diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short-Term Fund Board, which has established diversification percentages and specifies the types and maturities of the investments. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. These investments within the LGIP must be invested and managed as a prudent investor would, exercising reasonable care, skill and caution. The LGIP is not rated for credit quality. Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by securities that exist in physical or book entry form. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP.

B. Capital assets

Capital asset activity in the year ended June 30, 2010 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 9,161,010	\$ 330,661	\$ -	\$ 9,491,671
Construction work in progress	140,904	466,272	(563,921)	43,255
Total capital assets, not being depreciated	9,301,914	796,933	(563,921)	9,534,926
Capital assets being depreciated:				
Infrastructure	676,411	646,980	-	1,323,391
Buildings and improvements	31,364,229	-	-	31,364,229
Machinery and equipment	1,066,230	93,632	-	1,159,861
Licensed vehicles	1,400,983	30,098	(228,742)	1,202,339
Total capital assets being depreciated	34,507,852	770,710	(228,742)	35,049,820
Less accumulated depreciation				
Infrastructure	(6,861)	(107,429)	-	(114,290)
Buildings and improvements	(6,158,776)	(1,525,253)	-	(7,684,029)
Machinery and equipment	(732,339)	(90,040)	-	(822,379)
Licensed vehicles	(775,598)	(116,467)	91,974	(800,090)
Total accumulated depreciation	(7,673,573)	(1,839,189)	91,974	(9,420,788)
Total capital assets being depreciated, net	26,834,279	(1,068,479)	(136,768)	25,629,032
Governmental Activities Capital Assets, net	\$ 36,136,193	\$ (271,546)	\$ (700,689)	\$ 35,163,958

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 906,051	\$ -	\$ -	\$ 906,051
Construction work in progress	29,877,961	8,634,797	(5,870,570)	32,642,188
Total capital assets, not being depreciated	30,784,012	8,634,797	(5,870,570)	33,548,239
Capital assets being depreciated:				
Infrastructure	87,992,878	7,925,435	-	95,918,312
Buildings and improvements	57,065	-	-	57,065
Machinery and equipment	1,587,462	4,995	-	1,592,457
Licensed vehicles	171,423	7,600	-	179,023
Total capital assets being depreciated	89,808,827	7,938,030	-	97,746,857
Less accumulated depreciation				
Infrastructure	(22,160,666)	(2,614,923)	-	(24,775,588)
Buildings and improvements	(13,245)	(2,290)	-	(15,535)
Machinery and equipment	(986,541)	(117,593)	-	(1,104,134)
Licensed vehicles	(152,175)	(4,669)	-	(156,844)
Total accumulated depreciation	(23,312,627)	(2,739,475)	-	(26,052,102)
Total capital assets being depreciated, net	66,496,200	5,198,555	-	71,694,755
Business-type Activities Capital Assets, net	\$ 97,280,212	\$ 13,833,352	\$ (5,870,570)	\$ 105,242,994

Depreciation expense was charged to departments/programs of the City as follows:

Governmental activities:	
Administration	\$ 698,892
Community development	18,392
Public Safety	91,959
Community services	275,878
Public works	754,068
Total depreciation expense - governmental activities	\$ 1,839,189
Business-type activities:	
Water	\$ 262,231
Sanitary	96,175
Storm	161,643
Street	2,142,115
Telecom	77,312
Total depreciation expense - business-type activities	\$ 2,739,475

C. Long-term liabilities

1. Debt outstanding

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

The City of Sherwood Urban Renewal Agency (URA) began work on construction projects in 2003-04. The City issues debt and builds the capital projects; the URA reimburses the City for debt service, using its property tax increment revenue. Bonds and loans outstanding at June 30, 2010 were:

	Original Amount	Interest Rates	Annual Debt Service
General obligation bonds:			
2004A&B refunding	\$ 6,045,000	1 - 3.8%	\$ 144,838 – 664,050
2001 Police facility	3,840,000	4 - 4.875%	294,189 - 307,052
Long-term loans for the City:			
2001 YMCA recreation center	1,970,000	2.76 - 5.4%	185,473 – 198,502
2002 Public Works and Fieldhouse	1,900,000	4.6%	238,110
2005 Sunset Park	2,300,000	3.4%	506,679 – 508,580
Long-term loans on behalf of the URA:			
2003 Civic building	2,435,000	3.55 - 4.65%	308,718 – 313,240
2003 OECD Civic building & streets	5,845,708	3 - 4.625%	433,600 – 438,774
2004 land purchase	350,000	3.6%	284,520 – 305,590
2005 Sports Fields	280,000	3.4%	24,256 – 24,350
2005 Old School	550,000	5.75%	55,000 – 56,000
2006 URA Streets	1,800,000	5.38%	175,395
2006 Downtown Streets	6,400,000	Variable	480,000 – 485,000
2008 URA Line of credit	6,065,000	1.9%	due July 2010
Long-term loans for the Water Utility:			
2010 Water supply interim loan	10,000,000	Variable	due May 10, 2011
2008 SDW Water Reservoir	6,000,000	3.55%	424,079
2009 Stella Olsen Culvert	500,000	3.5%	109,441
2009 SDW Water Pipeline	6,000,000	3.83%	525,790

The 2006 Downtown Streets loan carries an interest rate equal to 63.5% of the Bank of America prime rate, minus 0.80%. The interest rate on this loan at June 30, 2010 was 5.36 %. The 2010 Water supply interim loan carries an interest rate of 64% of the Bank of American prime rate, plus 0.65%. The interest rate on this loan at June 30, 2010 was 0.8722016%. The Bank of America prime rate is subject to change on a daily basis.

Changes in long-term liabilities for the year ended June 30, 2010 are as follows:

	<i>Outstanding July 1, 2009</i>	<i>Issued/Assumed</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2010</i>	<i>Due Within One Year</i>
Governmental activities					
<i>Bonds payable:</i>					
2004 A&B Refunding	\$ 4,305,000	\$ -	\$ (495,000)	\$ 3,810,000	\$ 495,000
2001 Police station	2,730,000	-	(175,000)	2,555,000	180,000
<i>Notes payable:</i>					
2001 YMCA	1,220,000	-	(125,000)	1,095,000	135,000
2002 Public Works	714,934	(564,798)	(43,846)	106,290	45,898
2003 Civic building	1,110,000	-	(260,000)	850,000	270,000
2003 OECD	4,742,837	-	(241,023)	4,501,814	247,253
2004 Land purchase	175,000	-	(35,000)	140,000	35,000
2005 URA Old School	446,000	-	(30,000)	416,000	32,000
2005 URA Sports Fields	218,000	-	(17,000)	201,000	17,000
2005 Sunset Park	490,000	-	(490,000)	-	-
2006 URA Streets #1	1,567,533	-	(93,218)	1,474,315	98,310
2006 URA Streets #2	6,014,194	-	(234,763)	5,779,431	241,354
2008 URA Line of credit	6,065,000	1,000,000	-	7,065,000	7,065,000
Total	<u>\$ 29,798,498</u>	<u>\$ 435,202</u>	<u>\$ (2,239,850)</u>	<u>\$ 27,993,850</u>	<u>\$ 8,861,815</u>

	<i>Outstanding July 1, 2009</i>	<i>Issued/Assumed</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2010</i>	<i>Due Within One Year</i>
Business-type activities					
2002 Public Works	\$ -	\$ 564,798	\$ (164,944)	\$ 399,854	\$ 172,662
2008 Interim water	10,000,000	-	(10,000,000)	-	-
2008 SDW Water Reservoir	5,596,252	403,748	-	6,000,000	211,079
2009 Stella Olsen Culvert	477,015	-	(93,969)	383,046	97,302
2009 SDW Water Pipeline	-	2,748,808	-	2,748,808	-
2010 Interim Water	-	10,000,000	-	10,000,000	10,000,000
SDC Credits	1,152,795	-	(4,870)	1,147,925	-
Total	<u>\$ 17,226,062</u>	<u>\$ 13,717,354</u>	<u>\$ (10,263,783)</u>	<u>\$ 20,679,633</u>	<u>\$ 10,481,043</u>

	<i>Outstanding July 1, 2009</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2010</i>	<i>Due Within One Year</i>
Compensated absences payable					
Governmental activities	\$ 290,144	\$ 43,628	\$ -	\$ 333,772	\$ 133,509
Business-type activities	53,352	20,395	-	73,747	29,499
Total	<u>\$ 343,496</u>	<u>\$ 64,023</u>	<u>\$ -</u>	<u>\$ 407,519</u>	<u>\$ 163,008</u>

The 2004 A & B Refunding bonds were issued to take advantage of lower interest rates and to reduce the City's debt service costs on existing debt.

The 2001 Police Station bonds were issued to provide financing for construction on the police station.

The 2001 YMCA loan was in connection with the acquisition of property.

The 2002 Public Works loan was used to purchase land and a building. The building was remodeled to house Public Works and to include an indoor recreational facility for public use. The loan is considered a debt of the governmental funds because the security is the City's full faith and credit and taxing power. Although the revenue of the Enterprise funds was not pledged as security for the debt, these funds are contributing toward debt service payments on the loan. The amounts are budgeted and reported as payments for debt service in the Enterprise funds.

The 2003 Civic building loan provided funds for construction of the City Hall and library.

The 2003 OECD loan provided a portion of the funds to construct a new library and City Hall, and fund the first \$1,000,000 of street improvements in Old Town. The 2004 cannery loan is for demolition of the cannery site, which will be sold for redevelopment by private investors.

The 2004 URA loan was for the sales costs and demolition of the cannery property.

The 2005 URA loans were for the acquisition of the Old School and improvements to sports field property.

The 2006 URA loans provided the bulk of the funds for reconstruction of downtown streets and fixtures.

The 2008 Water debt was extended in 2010. The new terms call for interest quarterly at a variable rate, with principal due in full on May 16, 2011.

In 2008 the URA obtained a line of credit for \$7,065,000. The final \$1,000,000 was drawn on the line of credit in 2010 for the Adams Street project. The line of credit is due in full on July 8, 2010.

In 2008 the City obtained a \$6,000,000 loan for construction of the water reservoir. The final draw on the loan was completed in fiscal year 2010 for \$403,748.

In 2009 the City obtained a \$500,000 loan for storm drain construction. The final payment is due in 2013-14.

In 2009 the City obtained a \$6,000,000 loan for construction of the water pipeline. During the fiscal year ended June 30, 2010 the City drew down \$2,748,808 of the loan proceeds.

In fiscal year 2010 the City brought water operations back in house to be managed by City staff. During the process the loan for the allocation of debt for the Public Works loan was reclassified resulting in a transfer of balances between the Governmental funds and the Enterprise funds. The amount of the transfer was \$564,798.

The City will be obtaining additional financing for the water pipeline in fiscal year 2011; at this time the amount needed is undetermined.

2. Debt service requirements

Debt service requirements to maturity are as follows, assuming full drawdown of the water pipeline loan:

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>General Obligation Bond</i> <i>2004 A&B Refunding</i>			<i>General Obligation Bond</i> <i>2001 Police Facility</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2011	\$ 495,000	\$ 129,088	\$ 624,088	\$ 180,000	\$ 115,871	\$ 295,871
2012	505,000	114,238	619,238	190,000	108,006	298,006
2013	525,000	97,825	622,825	200,000	99,521	299,521
2014	540,000	81,419	621,419	210,000	90,396	300,396
2015	560,000	63,194	623,194	215,000	80,780	295,780
2016	585,000	43,594	628,594	230,000	70,541	300,541
2017	600,000	22,500	622,500	240,000	59,494	299,494
2018	-	-	-	250,000	47,731	297,731
2019	-	-	-	265,000	35,209	300,209
2020	-	-	-	280,000	21,750	301,750
2021	-	-	-	295,000	7,375	302,375
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
Unspecified	-	-	-	-	-	-
	<u>\$ 3,810,000</u>	<u>\$ 551,858</u>	<u>\$ 4,361,858</u>	<u>\$ 2,555,000</u>	<u>\$ 736,674</u>	<u>\$ 3,291,674</u>

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>City of Shewood</i> <i>2001 YMCA Recreation Center</i>			<i>City of Shewood</i> <i>2002 Public Works and Fieldhouse</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
	2011	\$ 135,000	\$ 53,386	\$ 188,386	\$ 45,898	\$ 4,106
2012	140,000	46,592	186,592	48,045	1,958	50,003
2013	150,000	39,275	189,275	12,348	142	12,490
2014	155,000	31,451	186,451	-	-	-
2015	165,000	23,113	188,113	-	-	-
2016	170,000	14,251	184,251	-	-	-
2017	180,000	4,860	184,860	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
Unspecified	-	-	-	-	-	-
	<u>\$ 1,095,000</u>	<u>\$ 212,928</u>	<u>\$ 1,307,928</u>	<u>\$ 106,291</u>	<u>\$ 6,206</u>	<u>\$ 112,497</u>

<i>Fiscal Year Ending June 30,</i>	<i>City of Sherwood URA 2003 Civic Building</i>			<i>City of Sherwood URA 2003 OECD</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2011	\$ 270,000	\$ 30,176	\$ 300,176	\$ 247,253	\$ 187,997	\$ 435,250
2012	285,000	20,590	305,590	258,648	179,838	438,486
2013	295,000	10,472	305,472	265,197	170,656	435,853
2014	-	-	-	276,836	161,043	437,879
2015	-	-	-	283,614	150,523	434,137
2016	-	-	-	295,560	139,178	434,738
2017	-	-	-	307,582	127,356	434,938
2018	-	-	-	319,738	114,745	434,483
2019	-	-	-	337,037	101,316	438,353
2020	-	-	-	349,490	86,823	436,313
2021	-	-	-	367,107	71,446	438,553
2022	-	-	-	379,902	54,926	434,828
2023	-	-	-	397,855	37,641	435,496
2024	-	-	-	415,995	19,240	435,235
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
Unspecified	-	-	-	-	-	-
	<u>\$ 850,000</u>	<u>\$ 61,238</u>	<u>\$ 911,238</u>	<u>\$ 4,501,814</u>	<u>\$ 1,602,728</u>	<u>\$ 6,104,542</u>

<i>Fiscal Year Ending June 30,</i>	<i>City of Sherwood URA 2004 Land Purchase</i>			<i>City of Sherwood URA 2005 Old School</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2011	\$ 35,000	\$ 6,554	\$ 41,554	\$ 32,000	\$ 23,920	\$ 55,920
2012	35,000	4,681	39,681	34,000	22,080	56,080
2013	35,000	2,809	37,809	35,000	20,125	55,125
2014	35,000	983	35,983	38,000	18,113	56,113
2015	-	-	-	40,000	15,928	55,928
2016	-	-	-	42,000	13,628	55,628
2017	-	-	-	45,000	11,213	56,213
2018	-	-	-	47,000	8,625	55,625
2019	-	-	-	50,000	5,923	55,923
2020	-	-	-	53,000	3,048	56,048
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
Unspecified	-	-	-	-	-	-
	<u>\$ 140,000</u>	<u>\$ 15,027</u>	<u>\$ 155,027</u>	<u>\$ 416,000</u>	<u>\$ 142,603</u>	<u>\$ 558,603</u>

<i>Fiscal Year Ending June 30,</i>	<i>City of Sherwood URA 2005 Sports Fields</i>			<i>City of Sherwood URA 2006 Downtown Streets #1</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2011	\$ 17,000	\$ 6,834	\$ 23,834	\$ 98,310	\$ 77,086	\$ 175,396
2012	18,000	6,256	24,256	103,686	71,710	175,396
2013	18,000	5,644	23,644	109,358	66,059	175,417
2014	19,000	5,032	24,032	115,338	60,060	175,398
2015	20,000	4,386	24,386	121,645	53,751	175,396
2016	20,000	3,706	23,706	128,298	47,089	175,387
2017	21,000	3,026	24,026	135,313	40,083	175,396
2018	22,000	3,032	25,032	142,713	32,682	175,395
2019	23,000	1,564	24,564	150,518	24,869	175,387
2020	23,000	782	23,782	158,739	16,647	175,386
2021	-	-	-	167,431	7,968	175,399
2022	-	-	-	42,966	580	43,546
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
Unspecified	-	-	-	-	-	-
	<u>\$ 201,000</u>	<u>\$ 40,262</u>	<u>\$ 241,262</u>	<u>\$ 1,474,315</u>	<u>\$ 498,584</u>	<u>\$ 1,972,899</u>

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>City of Sherwood URA</i> <i>2006 Downtown Streets</i>			<i>Line of credit</i> <i>2008 URA</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2011	\$ 241,354	\$ 240,466	\$ 481,820	\$ 7,065,000	\$ 21,606	\$ 7,086,606
2012	253,008	230,812	483,820	-	-	-
2013	264,728	220,691	485,419	-	-	-
2014	271,517	210,102	481,619	-	-	-
2015	283,378	199,241	482,619	-	-	-
2016	295,313	187,906	483,219	-	-	-
2017	307,325	176,094	483,419	-	-	-
2018	319,419	163,801	483,220	-	-	-
2019	331,595	151,024	482,619	-	-	-
2020	343,859	137,760	481,619	-	-	-
2021	361,287	123,576	484,863	-	-	-
2022	373,861	108,402	482,263	-	-	-
2023	391,575	92,513	484,088	-	-	-
2024	409,405	75,871	485,276	-	-	-
2025	422,389	58,267	480,656	-	-	-
2026	445,556	39,787	485,343	-	-	-
2027	463,862	20,294	484,156	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
Unspecified	-	-	-	-	-	-
	<u>\$ 5,779,431</u>	<u>\$ 2,436,607</u>	<u>\$ 8,216,038</u>	<u>\$ 7,065,000</u>	<u>\$ 21,606</u>	<u>\$ 7,086,606</u>

<i>Fiscal Year</i>	<i>Total governmental notes</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
<i>Ending June 30,</i>			
2011	\$ 8,861,815	\$ 897,090	\$ 9,758,905
2012	1,870,387	806,761	2,677,148
2013	1,909,631	733,219	2,642,850
2014	1,660,691	658,599	2,319,290
2015	1,688,637	590,916	2,279,553
2016	1,766,171	519,893	2,286,064
2017	1,836,220	444,626	2,280,846
2018	1,100,870	370,616	1,471,486
2019	1,157,150	319,905	1,477,055
2020	1,208,088	266,810	1,474,898
2021	1,190,825	210,365	1,401,190
2022	796,729	163,908	960,637
2023	789,430	130,154	919,584
2024	825,400	95,111	920,511
2025	422,389	58,267	480,656
2026	445,556	39,787	485,343
2027	463,861	20,294	484,155
2028	-	-	-
2029	-	-	-
2030	-	-	-
Unspecified	-	-	-
	<u>\$ 27,993,850</u>	<u>\$ 6,326,321</u>	<u>\$ 34,320,171</u>

<i>Fiscal Year Ending June 30,</i>	<i>Enterprise Funds 2002 Public Works</i>			<i>Interim Water 2010</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
	2011	\$ 172,662	\$ 15,445	\$ 188,107	\$ 10,000,000	\$ -
2012	180,742	7,364	188,106	-	-	-
2013	46,450	535	46,985	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
Unspecified	-	-	-	-	-	-
	<u>\$ 399,854</u>	<u>\$ 23,344</u>	<u>\$ 423,198</u>	<u>\$ 10,000,000</u>	<u>\$ -</u>	<u>\$ 10,000,000</u>

<i>Fiscal Year Ending June 30,</i>	<i>SDW Water Reservoir</i>			<i>Stella Olsen Culvert</i>		
	<i>2008</i>			<i>2009</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2011	\$ 211,079	\$ 205,507	\$ 416,586	\$ 97,302	\$ 12,139	\$ 109,441
2012	218,572	197,747	416,319	100,753	8,688	109,441
2013	226,331	189,713	416,044	104,326	5,115	109,441
2014	234,366	181,393	415,759	80,665	1,416	82,081
2015	242,686	172,777	415,463	-	-	-
2016	251,301	163,856	415,157	-	-	-
2017	260,223	154,618	414,841	-	-	-
2018	269,460	145,052	414,512	-	-	-
2019	279,026	135,147	414,173	-	-	-
2020	288,932	124,890	413,822	-	-	-
2021	299,189	114,269	413,458	-	-	-
2022	309,810	103,270	413,080	-	-	-
2023	320,808	91,882	412,690	-	-	-
2024	332,197	80,089	412,286	-	-	-
2025	343,990	67,877	411,867	-	-	-
2026	356,202	55,232	411,434	-	-	-
2027	368,847	42,138	410,985	-	-	-
2028	381,941	28,579	410,520	-	-	-
2029	395,500	14,539	410,039	-	-	-
2030	409,540	-	409,540	-	-	-
Unspecified	-	-	-	-	-	-
	<u>\$ 6,000,000</u>	<u>\$ 2,268,575</u>	<u>\$ 8,268,575</u>	<u>\$ 383,046</u>	<u>\$ 27,358</u>	<u>\$ 410,404</u>

Fiscal Year Ending June 30,	SDW Water Pipeline 2009			Water SDC Credits	Street SDC Credits	Total business type notes		
	Principal	Interest	Total	Principal	Principal	Principal	Interest	Total
2011	\$ -	\$ 210,000	\$ 210,000	\$ -	\$ -	\$ 10,481,043	\$ 443,091	\$ 10,924,134
2012	315,790	210,000	525,790	-	-	815,857	423,799	1,239,656
2013	315,790	210,000	525,790	-	-	692,897	405,363	1,098,260
2014	315,790	210,000	525,790	-	-	630,821	392,809	1,023,630
2015	315,790	210,000	525,790	-	-	558,476	382,777	941,253
2016	315,790	210,000	525,790	-	-	567,091	373,856	940,947
2017	315,790	210,000	525,790	-	-	576,013	364,618	940,631
2018	315,790	210,000	525,790	-	-	585,250	355,052	940,302
2019	315,790	210,000	525,790	-	-	594,816	345,147	939,963
2020	315,790	210,000	525,790	-	-	604,722	334,890	939,612
2021	315,790	210,000	525,790	-	-	614,979	324,269	939,248
2022	315,790	210,000	525,790	-	-	625,600	313,270	938,870
2023	315,790	210,000	525,790	-	-	636,598	301,882	938,480
2024	315,790	210,000	525,790	-	-	647,987	290,089	938,076
2025	315,790	210,000	525,790	-	-	659,780	277,877	937,657
2026	315,790	210,000	525,790	-	-	671,992	265,232	937,224
2027	315,790	210,000	525,790	-	-	684,637	252,138	936,775
2028	315,790	210,000	525,790	-	-	697,731	238,579	936,310
2029	315,790	210,000	525,790	-	-	711,290	224,539	935,829
2030	315,780	210,000	525,780	-	-	725,320	210,000	935,320
Unspecified	-	-	-	9,720	1,138,205	1,147,925	-	1,147,925
	<u>\$ 6,000,000</u>	<u>\$ 4,200,000</u>	<u>\$ 10,200,000</u>	<u>\$ 9,720</u>	<u>\$ 1,138,205</u>	<u>\$ 23,930,825</u>	<u>\$ 6,519,277</u>	<u>\$ 30,450,102</u>

D. Transfers

Operating transfers on the budgetary basis of accounting were made as follows. In the enterprise funds, transfers to other funds for debt service were budgeted as debt service expenditures, and are reported as such in the individual fund statements. For fund financial statements presented on the GAAP basis, such transfers have been reported as transfers.

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 372,367	\$ 49,252
Asset Depreciation	130,004	-
General Construction	49,252	200,000
Water	538,013	35,004
Sanitary	-	83,407
Storm	-	541,788
Street	2,986	183,171
	<u>\$ 1,092,622</u>	<u>\$ 1,092,622</u>

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

V. OTHER INFORMATION

A. Risk management

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

B. Commitments and contingencies

The City is involved in various claims and legal matters relating to its operations which have all been tendered to the City's liability insurer or are being defended by attorneys. The City does not believe that any of these matters will have a material impact on its June 30, 2010 financial statements.

C. Pension plan

Plan Description

The City is a participating employer in the Oregon Public Employees Retirement System ("OPERS"), a cost-sharing multiple-employer defined benefit pension plan. The 2003 legislature adopted certain changes in the Oregon Public Employee Retirement System, and created a new system for all people hired after August 29, 2003. The Public Employee Retirement System (PERS), which was established under Oregon Revised Statute (ORS) 238.600, applies to all employees who had established membership prior to August 29, 2003. The Oregon Public Service Retirement Plan (OPSRP), which was established under ORS 238A and went into effect on January 1, 2004, applies to all people who are first employed with a public employer after August 29, 2003. The Public Employees Retirement Board (PERB) governs and acts as a common investment and administrative agent for both plans which are the retirement plans for most public employers in the State of Oregon. Benefits are established by state statute, and employer contributions are made at the actuarially determined rate for each system as adopted by the PERB. The Oregon Public Employees Retirement System, a component unit of the State of Oregon, issues a comprehensive annual financial report, which may be obtained by writing to Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700.

Both PERS and OPSRP plans provide retirement and disability benefits, post-employment healthcare benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

Funding Status

Covered employees are required by state statute to contribute 6.0 percent of their salary to the plan which is invested in the Individual Account Program (IAP). Employers are permitted to pay employee contributions to the fund.

The City is required by statute to contribute actuarially computed amounts as determined by OPERS. OPERS completes an actuarial valuation as of December 31 of odd numbered years for new rates to be implemented July 1 of the next odd numbered year. Rates are subject to change as a result of subsequent actuarial valuations and the proportion of the system that is funded for each local government employer.

For OPSRP, all employers are included in a single pool, with separate rates assigned for police and fire participants and general service participants. Beginning January 1, 2004 OPSRP rates were set at 13.08 percent for police and fire and 9.47 percent for general service employees. These rates changed to 16.47 percent and 13.20 percent, respectively, on July 1, 2007 based on the December 31, 2005 valuation. These rates changed to 11.29 percent and 8.58 percent, respectively, on July 1, 2009 based on the December 31, 2007 valuation.

Annual Pension Cost

The City paid the following contributions to PERS for the fiscal years ending June 30.

	Fiscal Year		
	2007-2008	2008-2009	2009-2010
Employer Contributions	\$ 571,668	\$ 648,817	\$ 522,422
6% Employee Contributions paid by the City	251,008	280,655	313,921
Total PERS Contributions Paid by the City	\$ 822,676	\$ 929,472	\$ 836,343

Postemployment Benefits Other Than Pensions

The City has no OPEB liability under GASB 45.

D. GASB PRONOUNCEMENTS ISSUED, NOT YET IN EFFECT

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have future effective dates that may impact future financial presentations.

Management has not currently determined what, if any, impact implementation of the following statements may have on future financial statements.

GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions", issued February, 2009 will be effective for the City beginning with its fiscal year ending June 30, 2011. The Statement establishes new classifications for fund equity and new definitions for governmental fund types.

E. OVEREXPENDITURE OF APPROPRIATIONS

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

General Construction Fund	
Personal services	\$ 15,487
Debt Service	14,999
Transfers Out	200,000
Debt Service	
Debt Service	370
Urban Renewal Agency Fund	
Personal services	8,042

F. SUBSEQUENT EVENTS

The City adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 165, "Subsequent Events" (ASC 855). ASC 855 establishes new accounting and disclosure requirements for subsequent events. Management has evaluated subsequent events through November 19, 2010, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.



REQUIRED SUPPLEMENTARY INFORMATION



City of Sherwood, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance from Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Taxes				
Property	\$ 4,091,784	\$ 4,091,784	\$ 4,035,588	\$ (56,196)
Franchise	1,464,071	1,464,071	1,578,593	114,522
Other taxes	7,500	7,500	3,954	(3,546)
Licenses and permits	81,500	81,500	83,009	1,509
Intergovernmental				
Federal grants	259,000	259,000	47,518	(211,482)
State grants	36,200	36,200	6,152	(30,048)
State shared revenue	342,000	342,000	327,830	(14,170)
County	703,381	703,381	713,847	10,466
Other intergovernmental	160,322	160,322	219,705	59,383
Charges for services				
Building permit fees	373,000	373,000	163,287	(209,713)
Planning	99,352	99,352	34,523	(64,829)
Culture and recreation	140,000	140,000	210,509	70,509
Other charges for services	39,250	39,250	57,419	18,169
Infrastructure development fees				
SDCs and TIF	1,000	1,000	623	(377)
Utility connection fees	11,000	11,000	6,011	(4,989)
Project plan review and inspection	166,350	166,350	107,761	(58,589)
Fines, finance charges, and forfeitures	496,252	496,252	347,328	(148,924)
Interest	27,000	27,000	13,855	(13,145)
Other revenue	198,710	198,710	271,978	73,268
Total revenue	<u>8,697,672</u>	<u>8,697,672</u>	<u>8,229,490</u>	<u>(468,182)</u>
EXPENDITURES				
Administration				
Personal services				
Salaries and wages	862,942	862,942	896,207	(33,265)
Payroll taxes	81,026	81,026	88,094	(7,068)
Benefits	298,335	298,335	306,424	(8,089)
Materials and services				
Professional and technical services	180,660	180,660	164,753	15,907
Facility and equipment	164,750	164,750	143,831	20,919
Other purchased services	481,982	481,982	298,989	182,993
Supplies	14,730	14,730	15,705	(975)
Community activities	3,150	3,150	2,607	543
Minor equipment purchases	55,000	55,000	72,277	(17,277)
Other materials and services	(1,763,775)	(1,763,775)	(1,679,431)	(84,344)

City of Sherwood, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance from Final Budget - Positive (Negative)
	Original	Final		
Capital outlay				
Infrastructure	\$ -	\$ -	\$ 14,045	\$ (14,045)
Furniture and equipment	100,000	100,000	89,020	10,980
Debt service				
Principal	92,750	92,750	92,750	-
Interest	44,260	44,260	44,259	1
Total expenditures	<u>615,810</u>	<u>615,810</u>	<u>549,530</u>	<u>66,280</u>
Community Development				
Personal services				
Salaries and wages	587,328	587,328	601,936	(14,608)
Payroll taxes	62,068	62,068	52,687	9,381
Benefits	190,060	190,060	207,352	(17,292)
Materials and services				
Professional and technical services	286,850	286,850	211,224	75,626
Facility and equipment	4,500	4,500	8,760	(4,260)
Other purchased services	36,112	36,112	13,256	22,856
Supplies	5,220	5,220	3,916	1,304
Community activities	150	150	75	75
Minor equipment purchases	28,440	28,440	6,334	22,106
Other materials and services	96,106	96,106	168,458	(72,352)
Total expenditures	<u>1,296,834</u>	<u>1,296,834</u>	<u>1,273,998</u>	<u>22,836</u>
Public Safety				
Personal services				
Salaries and wages	1,676,878	1,676,878	1,709,544	(32,666)
Payroll taxes	226,293	226,293	176,183	50,110
Benefits	603,151	603,151	570,611	32,540
Materials and services				
Professional and technical services	177,000	177,000	173,803	3,197
Facility and equipment	85,000	85,000	68,435	16,565
Other purchased services	43,040	43,040	37,563	5,477
Supplies	44,500	44,500	34,092	10,408
Community activities	2,500	2,500	2,175	325
Minor equipment purchases	14,500	14,500	58,851	(44,351)
Other materials and services	900,987	900,987	864,863	36,124
Capital outlay				
Infrastructure	-	-	10,000	(10,000)
Vehicles	40,360	40,360	35,101	5,259
Furniture and equipment	275,000	275,000	373	274,627
Total expenditures	<u>4,089,209</u>	<u>4,089,209</u>	<u>3,741,594</u>	<u>347,615</u>

City of Sherwood, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance from Final Budget - Positive (Negative)
	Original	Final		
Community Services				
Personal services				
Salaries and wages	\$ 596,651	\$ 596,651	\$ 626,418	\$ (29,767)
Payroll taxes	59,473	59,473	52,594	6,879
Benefits	181,990	181,990	199,374	(17,384)
Materials and services				
Professional and technical services	65,582	65,582	48,122	17,460
Facility and equipment	2,500	2,500	4,006	(1,506)
Other purchased services	25,870	25,870	14,862	11,008
Supplies	132,075	132,075	118,684	13,391
Community activities	35,000	35,000	31,866	3,134
Minor equipment purchases	3,000	3,000	2,545	455
Other materials and services	320,225	320,225	318,360	1,865
Debt service				
Principal	21,923	21,923	21,923	-
Interest	3,079	3,079	3,079	-
Total expenditures	1,447,368	1,447,368	1,441,833	5,535
Public Works Operations				
Personal services				
Salaries and wages	374,773	374,773	390,375	(15,602)
Payroll taxes	55,109	55,109	40,644	14,465
Benefits	167,390	167,390	139,156	28,234
Materials and services				
Professional and technical services	149,076	149,076	119,199	29,877
Facility and equipment	447,608	447,608	344,853	102,755
Other purchased services	27,972	27,972	11,123	16,849
Supplies	114,940	114,940	95,707	19,233
Community activities	10,708	10,708	2,897	7,811
Minor equipment purchases	33,800	33,800	14,857	18,943
Other materials and services	(488,155)	(488,155)	(367,651)	(120,504)
Capital outlay				
Infrastructure	30,000	30,000	-	30,000
Vehicles	25,000	25,000	-	25,000
Furniture and equipment	27,000	27,000	15,447	11,553
Debt service				
Principal	21,923	21,923	21,923	-
Interest	3,079	3,079	3,079	-
Total expenditures	1,000,223	1,000,223	831,609	168,614
Total expenditures	8,449,444	8,449,444	7,838,564	610,880

City of Sherwood, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance from Final Budget - Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 370,000	\$ 370,000	\$ 372,367	\$ 2,367
Transfers out	(11,500)	(89,000)	(49,252)	39,748
Sale of capital assets	135,000	135,000	250,000	115,000
Contingency	(1,792,198)	(1,714,698)	-	1,714,698
Total other financing sources (uses)	<u>(1,298,698)</u>	<u>(1,298,698)</u>	<u>573,115</u>	<u>1,871,813</u>
Net change in fund balances	(1,050,470)	(1,050,470)	964,041	2,014,511
Fund balances - beginning	1,050,470	1,050,470	898,753	(151,717)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,862,794</u>	<u>\$ 1,862,794</u>

City of Sherwood, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Asset Depreciation Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance from Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Charges for services				
Other charges for services	\$ -	\$ -	\$ 27,549	\$ 27,549
Infrastructure development fees				
Interest	9,000	9,000	2,534	(6,466)
Other revenue	-	-	(57,715)	(57,715)
Total revenue	<u>9,000</u>	<u>9,000</u>	<u>(27,632)</u>	<u>(36,632)</u>
EXPENDITURES				
Capital outlay				
Infrastructure	-	-	50,000	(50,000)
Buildings	50,000	50,000	-	50,000
Total expenditures	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	130,004	130,004	130,004	-
Total other financing sources (uses)	<u>130,004</u>	<u>130,004</u>	<u>130,004</u>	<u>-</u>
Net change in fund balances	89,004	89,004	52,372	(36,632)
Fund balances - beginning	326,787	326,787	353,625	26,838
Fund balances - ending	<u>\$ 415,791</u>	<u>\$ 415,791</u>	<u>\$ 405,998</u>	<u>\$ (9,794)</u>

City of Sherwood, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Urban Renewal Agency General Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance from Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,888,302	\$ 2,888,302	\$ 3,019,360	\$ 131,058
Charges for services				
Other charges for services	-	-	42,081	42,081
Interest	50,000	50,000	21,603	(28,397)
Other revenue	1,200	1,200	24,222	23,022
Total revenue	<u>2,939,502</u>	<u>2,939,502</u>	<u>3,107,266</u>	<u>167,764</u>
EXPENDITURES				
Personal services				
Salaries and wages	110,103	110,103	116,886	(6,783)
Payroll taxes	10,151	10,151	9,866	285
Benefits	34,284	34,284	35,828	(1,544)
Total personal services	<u>154,538</u>	<u>154,538</u>	<u>162,580</u>	<u>(8,042)</u>
Materials and services				
Professional and technical services	305,000	305,000	403,938	(98,938)
Facility and equipment	-	-	6,807	(6,807)
Other purchased services	19,667	19,667	18,708	959
Supplies	2,000	2,000	2,576	(576)
Community activities	150,000	150,000	27,464	122,536
Other materials and services	84,093	84,093	83,347	746
Total materials and services	<u>560,760</u>	<u>560,760</u>	<u>542,840</u>	<u>17,920</u>
Capital outlay				
Land	135,000	135,000	577,299	(442,299)
Infrastructure	8,638,750	8,638,750	2,172,072	6,466,678
Total capital outlay	<u>8,773,750</u>	<u>8,773,750</u>	<u>2,749,371</u>	<u>6,024,379</u>
Debt service				
Principal	911,000	911,000	911,016	(16)
Interest	858,269	858,269	723,198	135,071
Total debt service	<u>1,769,269</u>	<u>1,769,269</u>	<u>1,634,214</u>	<u>135,055</u>
Total expenditures	<u>11,258,317</u>	<u>11,258,317</u>	<u>5,089,005</u>	<u>6,169,312</u>
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	<u>8,500,000</u>	<u>8,500,000</u>	<u>1,000,000</u>	<u>(7,500,000)</u>
Total other financing sources (uses)	<u>8,500,000</u>	<u>8,500,000</u>	<u>1,000,000</u>	<u>(7,500,000)</u>
Net change in fund balances	181,185	181,185	(981,739)	(1,162,924)
Fund balances - beginning	362,561	362,561	2,792,650	2,430,089
Fund balances - ending	<u>\$ 543,746</u>	<u>\$ 543,746</u>	<u>\$ 1,810,913</u>	<u>\$ 1,267,165</u>

OTHER SUPPLEMENTARY INFORMATION



City of Sherwood, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Construction Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance from Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Intergovernmental				
Other intergovernmental	\$ 519,870	\$ 519,870	\$ 291,317	\$ (228,553)
Infrastructure development fees				
SDC's and TIF	270,000	270,000	124,903	(145,097)
Interest	1,650	1,650	4,700	3,050
Other revenue	30,000	30,000	18,249	(11,751)
Total revenue	<u>821,520</u>	<u>821,520</u>	<u>439,169</u>	<u>(382,351)</u>
EXPENDITURES				
Personal services				
Salaries and wages	24,188	24,188	34,902	(10,714)
Payroll taxes	2,571	2,571	2,888	(317)
Benefits	7,707	7,707	12,163	(4,456)
Total personal services	<u>34,466</u>	<u>34,466</u>	<u>49,953</u>	<u>(15,487)</u>
Materials and services				
Professional and technical services	-	62,500	-	62,500
Other purchased services	151	151	200	(49)
Other materials and services	28,584	28,584	36,399	(7,815)
Total materials and services	<u>28,735</u>	<u>91,235</u>	<u>36,599</u>	<u>54,636</u>
Capital outlay				
Infrastructure	322,772	865,772	521,989	343,783
Total capital outlay	<u>322,772</u>	<u>865,772</u>	<u>521,989</u>	<u>343,783</u>
Debt service				
Principal	522,250	522,250	522,250	-
Interest	17,050	17,050	32,049	(14,999)
Total debt service	<u>539,300</u>	<u>539,300</u>	<u>554,299</u>	<u>(14,999)</u>
Total expenditures	<u>925,273</u>	<u>1,530,773</u>	<u>1,162,840</u>	<u>367,933</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	11,500	89,000	49,252	(39,748)
Transfers out	-	-	(200,000)	(200,000)
Total other financing sources (uses)	<u>11,500</u>	<u>89,000</u>	<u>(150,748)</u>	<u>(239,748)</u>
Net change in fund balances	(92,253)	(620,253)	(874,419)	(254,166)
Fund balances - beginning	100,566	100,566	959,507	858,941
Fund balances - ending	<u>\$ 8,313</u>	<u>\$ (519,687)</u>	<u>\$ 85,089</u>	<u>\$ 604,775</u>

City of Sherwood, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Debt Service Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance from Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Taxes				
Property	\$ 916,700	\$ 916,700	\$ 916,779	\$ 79
Interest	2,000	2,000	824	(1,176)
Total revenue	<u>918,700</u>	<u>918,700</u>	<u>917,603</u>	<u>(1,097)</u>
EXPENDITURES				
Debt service				
Principal	670,000	670,000	670,000	-
Interest	265,700	265,700	266,070	(370)
Total expenditures	<u>935,700</u>	<u>935,700</u>	<u>936,070</u>	<u>(370)</u>
Net change in fund balances	(17,000)	(17,000)	(18,467)	(1,467)
Fund balances - beginning	17,543	17,543	27,999	10,456
Fund balances - ending	<u>\$ 543</u>	<u>\$ 543</u>	<u>\$ 9,532</u>	<u>\$ 8,989</u>

City of Sherwood, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - on Budgetary Basis
Water Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance from Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Intergovernmental				
Other intergovernmental	\$ 2,000,000	\$ 2,000,000	\$ -	\$ (2,000,000)
Charges for services				
Utility charges for services	4,285,212	4,285,212	3,771,112	(514,100)
Other charges for services	1,600	1,600	2,443	843
Infrastructure development fees				
SDC's and TIF	250,000	250,000	113,258	(136,742)
Utility connection fees	20,000	20,000	6,850	(13,150)
Project plan review and inspection	-	-	68	68
Interest	470,398	470,398	56,529	(413,869)
Other revenue	-	-	1,152,492	1,152,492
Total revenue	7,027,210	7,027,210	5,102,752	(1,924,458)
EXPENDITURES				
Operations				
Personal services				
Salaries and wages	393,018	452,618	450,991	1,627
Payroll taxes	51,823	51,823	44,922	6,901
Benefits	161,716	161,716	168,043	(6,327)
Materials and services				
Professional and technical services	571,472	740,472	763,282	(22,810)
Facility and equipment	142,440	161,440	93,516	67,924
Other purchased services	337,721	345,121	284,628	60,493
Supplies	137,428	137,428	82,576	54,852
Minor equipment purchases	39,000	39,000	10,583	28,417
Other materials and services	210,934	210,934	219,617	(8,683)
Capital outlay				
Vehicles	15,000	15,000	-	15,000
Furniture and equipment	6,000	6,000	4,995	1,005
Debt service				
Principal	221,440	221,440	41,758	179,682
Interest	457,244	457,244	217,398	239,846
Total expenditures	2,745,236	3,000,236	2,382,309	617,927

City of Sherwood, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - on Budgetary Basis
Water Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance from Final Budget - Positive (Negative)
	Original	Final		
Capital				
Personal services				
Salaries and wages	\$ 89,950	\$ 89,950	\$ 45,162	\$ 44,788
Payroll taxes	10,604	10,604	3,661	6,943
Benefits	29,783	29,783	14,633	15,150
Materials and services				
Professional and technical services	-	-	7,095,341	(7,095,341)
Facility and equipment	-	-	9,881	(9,881)
Other purchased services	1,267	1,267	15,701	(14,434)
Supplies	-	-	21,547	(21,547)
Minor equipment purchases	-	-	1,159	(1,159)
Other materials and services	48,277	48,277	20,496	27,781
Capital outlay				
Land	-	-	17,634	(17,634)
Infrastructure	9,758,681	9,758,681	-	9,758,681
Debt service				
Principal	10,000,000	10,000,000	-	10,000,000
Interest	-	-	63,539	(63,539)
Other	-	-	1,500	(1,500)
Total expenditures	19,938,562	19,938,562	7,310,254	12,628,308
Total expenditures before reimbursements	22,683,798	22,938,798	9,692,563	13,246,235
OTHER FINANCING SOURCES (USES)				
Transfers in	210,013	210,013	538,013	328,000
Transfers out	(365,004)	(365,004)	(35,004)	330,000
Issuance of long-term debt	16,000,000	16,000,000	3,152,556	(12,847,444)
Total other financing sources (uses)	15,845,009	15,845,009	3,655,565	(12,189,444)
Net change in fund balances	188,421	(66,579)	(934,246)	(867,667)
Fund balances - beginning	7,659,790	7,659,790	8,705,626	1,045,836
Fund balances - ending	\$ 7,848,211	\$ 7,593,211	\$ 7,771,380	\$ 178,169

City of Sherwood, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - on Budgetary Basis
Sanitary Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance from Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Intergovernmental				
Other intergovernmental	\$ 737,260	\$ 737,260	\$ -	\$ (737,260)
Charges for services				
Utility charges for services	487,105	487,105	455,693	(31,412)
Other charges for services	-	-	647	647
Infrastructure development fees				
SDC's and TIF	200,000	200,000	8,159	(191,841)
Project plan review and inspection	1,000	1,000	172	(828)
Interest	23,200	23,200	25,068	1,868
Other revenue	-	-	65,543	65,543
Total revenue	1,448,565	1,448,565	555,282	(893,283)
EXPENDITURES				
Operations				
Personal services				
Salaries and wages	117,697	117,697	101,490	16,207
Payroll taxes	15,279	15,279	10,805	4,474
Benefits	43,309	43,309	31,561	11,748
Materials and services				
Professional and technical services	45,780	45,780	10,199	35,581
Facility and equipment	23,640	23,640	11,519	12,121
Other purchased services	42,905	42,905	122,261	(79,356)
Supplies	12,104	12,104	7,476	4,628
Minor equipment purchases	9,580	9,580	2,444	7,136
Other materials and services	63,168	63,168	50,762	12,406
Capital outlay				
Furniture and equipment	8,000	8,000	7,600	400
Debt service				
Principal	33,406	33,406	39,670	(6,264)
Interest	4,692	4,692	5,571	(879)
Total expenditures	419,560	419,560	401,358	18,202

City of Sherwood, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - on Budgetary Basis
Sanitary Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance from Final Budget - Positive (Negative)
	Original	Final		
Capital				
Personal services				
Salaries and wages	\$ 92,971	\$ 92,971	\$ 73,494	\$ 19,477
Payroll taxes	9,718	9,718	6,147	3,571
Benefits	31,911	31,911	17,398	14,513
Materials and services				
Professional and technical services	-	-	342,082	(342,082)
Facility and equipment	-	-	2,756	(2,756)
Other purchased services	259	259	12,093	(11,834)
Other materials and services	110,834	110,834	76,039	34,795
Capital outlay				
Infrastructure	406,217	406,217	-	406,217
Total expenditures	<u>651,910</u>	<u>651,910</u>	<u>530,009</u>	<u>121,901</u>
 Total expenditures	 <u>1,071,470</u>	 <u>1,071,470</u>	 <u>931,367</u>	 <u>140,103</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(145,421)	(145,421)	(83,407)	62,014
Total other financing sources (uses)	<u>(145,421)</u>	<u>(145,421)</u>	<u>(83,407)</u>	<u>62,014</u>
Net change in fund balances	231,674	231,674	(459,492)	(691,166)
Fund balances - beginning	4,161,440	4,161,440	4,256,969	95,529
Fund balances - ending	<u>\$ 4,393,114</u>	<u>\$ 4,393,114</u>	<u>\$ 3,797,477</u>	<u>\$ (595,637)</u>

City of Sherwood, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - on Budgetary Basis
Storm Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance from Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Charges for services				
Utility charges for services	\$ 1,350,103	\$ 1,350,103	\$ 1,330,431	\$ (19,672)
Infrastructure development fees				
SDC's and TIF	150,000	150,000	13,263	(136,737)
Utility connection fees	2,000	2,000	-	(2,000)
Project plan review and inspection	500	500	172	(328)
Interest	11,730	11,730	3,982	(7,748)
Total revenue	<u>1,514,333</u>	<u>1,514,333</u>	<u>1,347,848</u>	<u>(166,485)</u>
EXPENDITURES				
Operations				
Personal services				
Salaries and wages	204,398	204,398	144,238	60,160
Payroll taxes	30,673	30,673	17,704	12,969
Benefits	76,143	76,143	44,719	31,424
Materials and services				
Professional and technical services	137,876	137,876	97,675	40,201
Facility and equipment	24,312	24,312	12,746	11,566
Other purchased services	97,309	97,309	77,181	20,128
Supplies	21,104	21,104	15,721	5,383
Minor equipment purchases	6,700	6,700	-	6,700
Other materials and services	109,701	109,701	75,476	34,225
Debt service				
Principal	135,776	135,776	135,728	48
Interest	22,168	22,168	21,335	833
Other	-	-	5,684	(5,684)
Total expenditures Operations	<u>866,160</u>	<u>866,160</u>	<u>648,207</u>	<u>217,953</u>

City of Sherwood, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - on Budgetary Basis
Storm Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance from Final Budget - Positive (Negative)
	Original	Final		
Capital				
Personal services				
Salaries and wages	\$ 72,703	\$ 72,703	\$ 13,675	\$ 59,028
Payroll taxes	7,647	7,647	1,143	6,504
Benefits	24,116	24,116	2,941	21,175
Materials and services				
Professional and technical services	-	-	46,010	(46,010)
Facility and equipment	-	-	945	(945)
Other purchased services	259	259	1,133	(874)
Other materials and services	86,301	86,301	13,673	72,628
Capital outlay				
Infrastructure	13,580	13,580	-	13,580
Total expenditures Capital	<u>204,606</u>	<u>204,606</u>	<u>79,520</u>	<u>125,086</u>
Total expenditures	<u>1,070,766</u>	<u>1,070,766</u>	<u>727,727</u>	<u>343,039</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(475,421)</u>	<u>(475,421)</u>	<u>(541,788)</u>	<u>(66,367)</u>
Total other financing sources (uses)	<u>(475,421)</u>	<u>(475,421)</u>	<u>(541,788)</u>	<u>(66,367)</u>
Net change in fund balances	<u>(31,854)</u>	<u>(31,854)</u>	<u>78,333</u>	<u>110,187</u>
Fund balances - beginning	69,727	69,727	550,084	480,357
Fund balances - ending	<u>\$ 37,873</u>	<u>\$ 37,873</u>	<u>\$ 628,417</u>	<u>\$ 590,544</u>

City of Sherwood, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - on Budgetary Basis
Street Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance from Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Intergovernmental				
State shared revenue	\$ 675,000	\$ 675,000	\$ 683,623	\$ 8,623
County	65,000	65,000	65,484	484
Other intergovernmental	1,138,750	1,138,750	1,000,000	(138,750)
Charges for services				
Utility charges for services	356,000	356,000	311,009	(44,991)
Other charges for services	-	-	2,157	2,157
Infrastructure development fees				
SDC's and TIF	550,000	550,000	301,935	(248,065)
Project plan review and inspection	500	500	110	(390)
Interest	79,000	79,000	49,896	(29,104)
Other revenue	-	-	2,229	2,229
Total revenue	2,864,250	2,864,250	2,416,443	(447,807)
EXPENDITURES				
Operations				
Personal services				
Salaries and wages	144,994	144,994	142,093	2,901
Payroll taxes	24,268	24,268	16,513	7,755
Benefits	52,575	52,575	48,389	4,186
Materials and services				
Professional and technical services	26,544	101,544	53,821	47,723
Facility and equipment	321,758	321,758	302,787	18,971
Other purchased services	14,780	24,780	24,367	413
Supplies	51,066	51,066	50,108	958
Minor equipment purchases	4,500	4,500	-	4,500
Other materials and services	77,819	77,819	62,568	15,251
Capital outlay				
Infrastructure	228,000	228,000	256,701	(28,701)
Furniture and equipment	35,000	35,000	-	35,000
Debt service				
Principal	79,340	79,340	41,758	37,582
Interest	11,142	11,142	5,864	5,278
Total expenditures Operations	1,071,786	1,156,786	1,004,969	151,817

City of Sherwood, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - on Budgetary Basis
Street Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance from Final Budget - Positive (Negative)
	Original	Final		
Capital				
Personal services				
Salaries and wages	\$ 103,848	\$ 103,848	\$ 57,587	\$ 46,261
Payroll taxes	10,968	10,968	4,788	6,180
Benefits	32,587	32,587	17,885	14,702
Materials and services				
Professional and technical services	-	-	359,075	(359,075)
Facility and equipment	-	-	2,318	(2,318)
Other purchased services	259	259	6,603	(6,344)
Other materials and services	122,415	122,415	54,542	67,873
Capital outlay				
Infrastructure	3,552,887	3,552,887	3,502	3,549,385
Total expenditures Capital	<u>3,822,964</u>	<u>3,822,964</u>	<u>506,300</u>	<u>3,316,664</u>
Total expenditures	<u>4,894,750</u>	<u>4,979,750</u>	<u>1,511,269</u>	<u>3,468,481</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	395,000	395,000	2,986	(392,014)
Transfers out	(119,171)	(119,171)	(183,171)	(64,000)
Total other financing sources (uses)	<u>275,829</u>	<u>275,829</u>	<u>(180,185)</u>	<u>(456,014)</u>
Net change in fund balances	<u>(1,754,671)</u>	<u>(1,839,671)</u>	<u>724,989</u>	<u>2,564,660</u>
Fund balances - beginning	3,651,906	3,651,906	4,893,590	1,241,684
Fund balances - ending	<u>\$ 1,897,235</u>	<u>\$ 1,812,235</u>	<u>\$ 5,618,579</u>	<u>\$ 3,806,344</u>

City of Sherwood, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Telecommunications Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		- Positive (Negative)
REVENUE				
Intergovernmental				
Other intergovernmental	\$ -	\$ -	12,000	\$ 12,000
Charges for services				
Utility charges for services	325,000	325,000	183,351	(141,649)
Other charges for services	-	-	3,448	3,448
Interest	-	-	229	229
Total revenue	<u>325,000</u>	<u>325,000</u>	<u>199,028</u>	<u>(125,972)</u>
EXPENDITURES				
Personal services				
Salaries and wages	62,390	62,390	12,504	49,886
Payroll taxes	5,998	5,998	1,101	4,897
Benefits	22,464	22,464	3,604	18,860
Total personal services	<u>90,852</u>	<u>90,852</u>	<u>17,209</u>	<u>73,643</u>
Materials and services				
Professional and technical services	15,000	15,000	31,874	(16,874)
Facility and equipment	20,000	20,000	42,003	(22,003)
Other purchased services	50,979	50,979	43,163	7,816
Supplies	15,000	15,000	63	14,937
Minor equipment purchases	-	-	7,235	(7,235)
Other materials and services	33,485	33,485	4,561	28,924
Total materials and services	<u>134,464</u>	<u>134,464</u>	<u>128,899</u>	<u>5,565</u>
Capital outlay				
Infrastructure	100,000	100,000	22,010	77,990
Furniture and equipment	15,000	15,000	-	15,000
Total capital outlay	<u>115,000</u>	<u>115,000</u>	<u>22,010</u>	<u>92,990</u>
Total expenditures	<u>340,316</u>	<u>340,316</u>	<u>168,118</u>	<u>172,198</u>
Net change in fund balances	(15,316)	(15,316)	30,910	46,226
Fund balances - beginning	35,558	35,558	25,342	(10,216)
Fund balances - ending	<u>\$ 20,242</u>	<u>\$ 20,242</u>	<u>\$ 56,252</u>	<u>\$ 36,010</u>

**City of Sherwood, Oregon
 Schedule of Property Tax Transactions and Balances
 June 30, 2010**

City of Sherwood

<i>Tax Year</i>	<i>Uncollected Balances July 1, 2009</i>	<i>2009-2010 Levy</i>	<i>Interest, Discounts & Adjustments</i>	<i>Turnovers</i>	<i>Uncollected Balances June 30, 2010</i>
2009-10	\$ -	\$ 5,113,308	\$ (142,886)	\$ (4,827,878)	\$ 142,545
2008-09	148,803	-	(2,150)	(93,111)	53,542
2007-08	40,089	-	(106)	(19,728)	20,256
2006-07	14,549	-	867	(10,256)	5,161
2005-06	3,909	-	295	(3,035)	1,170
2004-05	1,643	-	(314)	(224)	1,105
Prior Years	2,534	-	(305)	(357)	1,872
Total	\$ 211,528	\$ 5,113,308	\$ (144,599)	\$ (4,954,587)	\$ 225,650

Urban Renewal Agency

<i>Tax Year</i>	<i>Uncollected Balances July 1, 2009</i>	<i>2009-2010 Levy</i>	<i>Interest, Discounts & Adjustments</i>	<i>Turnovers</i>	<i>Uncollected Balances June 30, 2010</i>
2009-10	\$ -	\$ 3,124,291	\$ (87,305)	\$ (2,949,890)	\$ 87,096
2008-09	84,708	-	(1,224)	(53,004)	30,480
2007-08	21,251	-	(56)	(10,457)	10,737
2006-07	6,321	-	377	(4,456)	2,242
2005-06	1,252	-	95	(972)	375
2004-05	409	-	(78)	(56)	275
Prior Years	181	-	281	(74)	388
Total	\$ 114,121	\$ 3,124,291	\$ (87,911)	\$ (3,018,909)	\$ 131,593

STATISTICAL SECTION

City of Sherwood, Oregon
Government-wide Expenses by Function
Last Five Fiscal Years

Fiscal Year Ended June 30	Opera- tions (a)	Development Services (b)	Admin- istration (c)	Interest on Long-term Debt	Water	Business-type Activities			Telecom	Total
						Sanitary	Storm	Street		
2010	\$ 6,815,712	\$ 1,514,472	\$ 4,396,849	\$ 1,131,451	\$ 2,682,923	\$ 463,918	\$ 671,150	\$ 2,834,235	\$ 207,628	\$ 20,718,338
2009	6,917,446	1,705,761	3,355,687	1,548,302	2,880,009	526,200	659,026	2,444,678	320,854	20,357,963
2008	6,892,119	1,756,888	2,415,467	2,432,283	2,134,630	1,833,247	699,162	1,807,737	500,580	20,472,113
2007	5,827,053	1,819,811	2,053,032	425,622	2,090,399	2,660,082	903,635	3,870,061	244,857	19,894,552
2006	4,452,000	1,371,000	164,000	685,000	2,078,000	2,915,000	788,000	3,585,000	268,000	16,306,000

- (a) Operations includes Police, Library, and Public Works Operations.
- (b) Development Services includes Planning, Building, and Engineering.
- (c) Administration includes Council and Recorder, Administration, Finance, Community Services, and the URA.

City of Sherwood, Oregon
Government-wide Revenues
Last Five Fiscal Years

Fiscal Year Ended June 30	Program Revenues			General Revenues					Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes & Franchise Fees	Inter- governmental	Infrastructure development fees	Interest	Other	
2010	\$ 7,426,952	\$ 2,942,611	\$ 2,582,738	\$ 9,653,803	\$ 326,799	\$ 1,220,264	\$ 179,218	\$ 196,290	\$ 24,528,675
2009	6,763,146	2,776,312	4,730,297	8,918,148	364,407	341,623	370,922		\$ 24,264,855
2008	6,327,710	1,158,996	1,032,967	8,573,296	2,429,457	3,644,475	1,610,578	(33,213)	\$ 24,744,266
2007	7,450,509	2,375,635	1,502,969	7,764,661	855,071	453,790	1,490,329	(15,166)	\$ 21,877,798
2006	6,254,368	218,007	-	5,634,186	2,327,019	4,007,025	1,206,245	1,122,205	\$ 20,769,055

**City of Sherwood, Oregon
General Governmental Expenditures by Function
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Operations					Non-departmental Expenditures				Less Reimbursements	Total
	Police	Community Services	Public Works Operations	Development Services	Administration	Personnel Services (c)	Materials and Services (c)	Capital Outlay	Debt Service		
2010 (c, d)	\$ 3,741,593	\$ 1,442,224	\$ 852,532	\$ 1,958,767	\$ 3,769,764	\$ -	\$ -	\$ -	\$ 3,311,595	\$ -	\$ 15,076,475
2009 (c, d)	3,841,057	1,420,789	737,027	1,846,610	2,840,300	-	-	-	3,854,963	-	14,540,746
2008 (c, d)	3,774,378	1,345,098	820,622	2,404,042	1,672,916	-	-	-	3,320,845	-	13,337,901
2007 (c)	2,741,087	988,865	1,292,305	1,503,968	3,109,356	-	212,669	864,538	2,540,807	1,245,328	12,008,267
2006 (a)	2,692,237	465,366	911,386	1,286,881	2,532,157	-	-	-	938,278	1,216,183	7,610,122
2005 (a)	2,706,412	612,641	1,119,919	1,579,119	5,647,632	-	-	-	1,714,847	1,046,200	12,334,370
2004 (a)	2,036,534	540,887	1,053,059	1,627,279	3,463,473	-	-	-	977,726	1,052,971	8,645,987
2003 (a)	1,874,166	497,273	798,565	1,349,314	2,009,193	-	-	-	974,024	1,156,439	6,346,096
2002 (b)	1,835,374	442,355	980,113	1,228,413	1,880,809	-	-	75,054	1,148,349	-	7,590,467
2001 (b)	1,784,477	430,350	313,176	1,352,681	2,038,765	-	-	214,351	878,460	-	7,012,260

This schedule includes the following funds:

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General	x	x	x	x	x	x	x	x	x	x
Debt Service	x	x	x	x	x	x	x	x	x	x
URA	x	x	x	x	x	x	x	x	x	
General Construction	x	x	x	x	x					
Special revenue:										
Asset Depreciation	x	x	x	x	x	x	x	x		x
Public Works									x	x
Capital Equipment									x	x
Building Depreciation										x
Robin Hood Theater										x
State Revenue Sharing										x
Special Grants										

- (a) Development Services includes Planning, Building, and Engineering. Administration includes Council and Recorder, Administration, Finance, and Community Services. Reimbursements are charges to other funds for costs incurred on their behalf.
- (b) The Capital Equipment, Building Depreciation, Building Rental, and Equipment Rental funds recorded purchase of capital items and minor capital projects. In 2000, Building Rental recorded significant capital outlay, but it was not possible to determine and exclude the exact amount.
- (c) Development Services includes Planning, Building, and Engineering. Administration includes Council and Recorder, Administration, Finance, and Court. Reimbursements are charges to other funds for costs incurred on their behalf. Community Services includes Library, Fieldhouse, and Events and Recreation.
- (d) Starting in 2008 reimbursements are included in the operational expenses.

City of Sherwood, Oregon
General Governmental Revenue by Source
Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes		Licenses and Permits	Intergovernmental	Charges for Services	Infrastructure Development Fees	Fines, Finance Charges & Forfeitures	Interest	Other	Total
	Property Taxes	Franchise Fees								
2010	\$ 7,975,681	\$ 1,578,593	\$ 83,009	\$1,606,369	\$ 736,809	\$ 239,299	\$ 347,328	\$ 43,515	\$ 55,291	\$ 12,665,894
2009	7,366,025	1,392,530	82,359	417,679	852,203	1,049,026	454,802	132,931	310,963	\$ 12,058,518
2008	7,231,552	1,348,651	89,669	1,376,518	1,089,223	407,344	390,651	234,162	87,493	\$ 12,255,263
2007	6,502,468	1,250,409	96,208	2,458,024	961,420	602,458	532,392	227,162	19,014	\$ 12,649,555
2006	5,634,186	1,091,898	79,245	1,702,173	800,552	150,685	466,995	98,767	187,286	\$ 10,211,786
2005	5,009,571	977,111	62,433	1,640,397	1,293,190	349,648	423,853	56,320	334,322	\$ 10,146,843
2004	4,640,853	703,451	54,147	1,018,556	905,506	266,300	348,406	41,754	182,803	\$ 8,161,776
2003	4,324,965	694,155	60,995	665,300	681,014	307,515	267,350	40,816	187,626	\$ 7,229,736
2002	3,894,344	597,834	57,837	587,113	579,850	173,613	208,087	70,314	309,486	\$ 6,478,478
2001	3,046,562	457,977	52,152	563,679	820,967	303,821	192,332	169,242	328,997	\$ 5,935,729

This schedule includes the following funds:

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General	x	x	x	x	x	x	x	x	x	x
Debt Service	x	x	x	x	x	x	x	x	x	x
URA	x	x	x	x	x	x	x	x	x	
General Construction	x	x	x	x	x					
Special revenue:										
Asset Depreciation	x	x	x	x	x	x	x	x		
Public Works									x	x
Capital Equipment									x	x
Building Depreciation									x	x
Robin Hood Theater										x
State Revenue Sharing										x
Special Grants										x

**City of Sherwood, Oregon
 General Governmental Fund Balance
 Last Ten Fiscal Years**

Fiscal Fiscal Year Ended June 30	General Fund	Asset Depreciation Fund	Urban Renewal Agency	General Construction	Debt Service	Total
2010	\$ 1,862,794	\$ 405,998	\$ 1,810,913	\$ 85,089	\$ 9,532	\$ 4,174,326
2009	898,753	353,625	2,792,649	959,507	27,999	5,032,533
2008	352,774	293,942	1,185,706	711,230	142,389	2,686,041
2007	(900,143)	186,158	1,005,607	1,220,332	104,833	1,616,787
2006	(1,332,856)	178,580	516,792	1,901,993	10,990	1,275,499
2005	371,003	148,737	-	-	-	519,740
2004	1,478,838	121,111	-	-	-	1,599,949
2003	1,895,059	129,900	-	-	-	2,154,859
2002	1,290,676	-	-	-	-	1,290,676
2001	396,878	-	-	-	-	396,878

City of Sherwood, Oregon
Property Tax Levies and Collections
Last Six Fiscal Years

Fiscal Year Ended June 30	Taxes Levied	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
City of Sherwood:								
2010	\$ 5,113,308	\$ 4,970,764	97.2%	\$ -	\$ 4,970,764	97.2%	\$ 142,544	2.8%
2009	4,869,072	4,720,268	96.9%	95,261	4,815,529	98.9%	53,543	1.1%
2008	4,887,020	4,725,549	96.7%	141,215	4,866,764	99.6%	20,256	0.4%
2007	4,668,811	4,483,423	96.0%	180,227	4,663,650	99.9%	5,161	0.1%
2006	4,393,961	4,217,619	96.0%	175,172	4,392,791	99.97%	1,170	0.0%
2005	4,102,057	3,893,968	94.9%	206,984	4,100,952	99.97%	1,105	0.0%
Sherwood Urban Renewal Agency:								
2010	3,124,291	3,037,195	97.2%	-	3,037,195	97.2%	87,096	2.8%
2009	2,771,772	2,661,661	96.0%	79,631	2,741,292	98.9%	30,480	1.1%
2008	2,590,506	2,491,389	96.2%	88,380	2,579,769	99.6%	10,737	0.4%
2007	2,028,473	1,942,419	95.8%	83,812	2,026,231	99.9%	2,242	0.1%
2006	1,407,184	1,347,951	95.8%	58,858	1,406,809	100.0%	375	0.0%
2005	1,021,381	969,568	94.9%	51,538	990,306	97.0%	275	0.0%

Source: Washington County Assessment and Taxation

City of Sherwood, Oregon
Assessed and Estimated Actual Value of Property
Last Ten Fiscal Years

Fiscal Year Ended June 30	Real Property		Personal Property, Manufactured Homes, and Utility		Total		Ratio of Total Assessed Value to Total Estimated Actual Value (b)	Estimated Actual Value per Capita	URA Assessed Value (a)
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value			
2010	\$ 1,340,834,750	\$ 2,204,748,250	\$ 93,873,573	\$ 94,494,503	\$ 1,434,708,323	\$ 2,299,242,753	62.4%	\$ 138,176	\$ 162,832,828
2009	1,291,402,080	2,399,708,430	80,382,741	80,976,084	1,371,784,821	2,480,684,514	55.3%	151,077	122,130,330
2008	1,232,396,640	2,371,145,540	75,704,328	76,507,685	1,308,100,968	2,447,653,225	53.4%	149,566	122,130,330
2007	1,158,876,970	2,110,761,912	70,374,662	70,909,587	1,229,251,632	2,181,671,499	56.3%	135,381	122,130,330
2006	1,057,361,030	1,626,376,634	70,294,192	70,584,237	1,127,655,222	1,696,960,871	66.5%	113,585	82,828,438
2005	955,663,760	1,369,120,014	58,933,592	59,074,481	1,014,597,352	1,428,194,495	71.0%	100,648	59,009,371
2004	872,433,320	1,228,726,972	61,015,437	61,159,215	933,448,757	1,289,886,187	72.4%	91,807	46,812,445
2003	801,554,900	1,100,444,363	59,590,694	59,790,611	861,145,594	1,160,234,974	74.2%	84,812	38,462,668
2002	730,651,860	997,776,310	58,511,043	59,184,891	789,162,903	1,056,961,201	74.7%	82,318	17,753,313
2001	649,471,070	899,209,455	51,405,530	55,287,055	700,876,600	954,496,510	73.4%	88,257	

- (a) The City of Sherwood Urban Renewal Agency (URA) began operations on July 1, 2001. The amount shown as URA assessed value is the portion of the total assessed value attributable to the URA. Tax revenue on this value is restricted to urban renewal activities.
- (b) Ballot Measure 50, implemented in the fiscal year ended June 30, 1998, limited assessed value.

Source: Washington County Assessment and Taxation

City of Sherwood, 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
	Operating Millage (a)	Debt Service Millage (b)	Total City Millage	Operating Millage (a)	Debt Service Millage (b)	Total County Millage	Operating Millage (a)	Debt Service Millage (b)	Total Education Millage	
2010 (c)	\$ 2.9233	\$ 0.6390	\$ 3.5623	\$ 6.4159	\$ 0.6134	\$ 7.0293	\$ 4.6534	\$ 3.9537	\$ 8.6071	\$ 19.1987
2009 (c)	2.9428	0.5964	3.5392	6.2872	0.5322	6.8194	4.6844	3.7533	8.4377	18.7963
2008 (c)	2.9574	0.7652	3.7226	6.2681	0.6343	6.9024	4.7077	3.8792	8.5869	19.2119
2007 (c)	2.9699	0.8074	3.7773	5.4245	0.4723	5.8968	4.7276	2.2182	6.9458	16.6199
2006 (c)	3.0553	0.8315	3.8868	5.4766	0.5291	6.0057	4.8636	2.2465	7.1101	17.0026
2005 (c)	3.1058	0.8450	3.9508	5.3227	0.5474	5.8701	4.9438	2.5581	7.5019	17.3228
2004 (c)	3.1322	1.0638	4.1960	5.2510	0.5610	5.8120	4.9858	2.6082	7.5940	17.6020
2003 (c)	3.1503	1.2295	4.3798	5.2019	0.5733	5.7752	5.0146	2.6393	7.6539	17.8089
2002	3.2975	1.4211	4.7186	4.6376	0.6841	5.3217	5.2489	2.8995	8.1484	18.1887
2001	3.2975	1.0944	4.3919	3.9391	0.7226	4.6617	5.2489	2.7897	8.0386	17.0922

- (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.
- (c) The City of Sherwood Urban Renewal Agency is given those property taxes attributable to the Urban Renewal District which are in excess of the assessed value for the fiscal year ended June 30, 2001. To the extent that these taxes would otherwise have gone to the City of Sherwood, the City's permanent rate reflects the reduction in taxes remitted to the City.

Source: Washington County Assessment and Taxation

**City of Sherwood, Oregon
 Principal Taxpayers
 Last Seven Fiscal Years**

Fiscal Year Ended June 30	Taxpayer	Type of Entity	Assessed Value	Percentage of Total Assessed Value
	Portland General Electric	Utility	\$ 28,217,000	2.5%
	Jae Oregon, Inc	Manufacturing	26,728,170	2.4%
	Northwest Natural Gas Company	Utility	25,707,730	2.3%
	Argyle Capital LLC	Fiduciary	23,999,450	2.1%
	Lumber Products	Manufacturing	22,977,365	2.0%
	Retail Property Partners	Commercial	16,900,160	1.5%
	Mittleman Properties	Real Estate	16,997,910	1.5%
	Target Corporation	Retail	14,988,297	1.3%
	Verizon Communications	Utility	14,822,500	1.3%
	Bir Sunfield LLC	Real Estate	13,985,910	1.2%
2010			\$ 205,324,492	16.7%
2009	Top ten taxpayers		\$ 112,495,071	9.2%
2008	Top ten taxpayers		104,819,000	8.5%
2007	Top ten taxpayers		101,771,833	9.0%
2006	Top ten taxpayers		89,371,562	8.8%
2005	Top ten taxpayers		85,106,693	9.1%
2004	Top ten taxpayers		85,187,357	9.9%

Source: Washington County Assessment and Taxation

**City of Sherwood, Oregon
Computation of Legal Debt Margin
June 30, 2010**

Total assessed value		<u>\$ 1,434,708,323</u>
Debt limitation: 3% of total assessed value		\$ 43,041,250
Debt applicable to limitation:		
General obligation bonds outstanding	\$ 6,365,000	
Less amount available for repayment of general obligation bonds	<u>(9,532)</u>	
Total debt applicable to limitation		<u>6,355,468</u>
Legal debt margin		<u>\$ 36,685,782</u>

City of Sherwood, Oregon
Ratio of Debt to Assessed Value and Debt per Capita
Last Ten Fiscal Years

Fiscal Year Ended June 30	Population	Assessed Value	Bonded Debt (a)	Less Debt Service Fund	Net Bonded Debt	Notes Payable (b)	Total Debt	Ratio of Debt to Assessed Value		Debt per Capita	
								Net Bonded Debt	Total Debt	Net Bonded Debt	Total Debt
2010	16,700	\$ 1,434,708,323	\$ 6,365,000	\$ 9,532	\$ 6,355,468	\$ 41,160,560	\$47,516,028	0.4%	3.3%	\$ 381	\$ 2,845
2009	16,640	1,371,784,821	7,035,000	27,999	7,007,001	38,836,766	45,843,767	0.5%	3.3%	421	2,755
2008	16,420	1,308,100,968	7,690,000	142,389	7,547,611	28,355,164	35,902,775	0.6%	2.7%	460	2,187
2007	16,365	1,229,251,632	8,345,000	104,833	8,240,167	29,921,293	38,161,460	0.7%	3.1%	504	2,332
2006	16,115	1,127,655,222	8,990,000	10,990	8,979,010	23,041,868	32,020,878	0.8%	2.8%	557	1,987
2005	14,940	1,014,597,352	9,505,000	51,856	9,453,144	11,121,197	20,574,341	0.9%	2.0%	633	1,377
2004	14,190	933,448,757	10,160,000	142,188	10,017,812	11,838,171	21,855,983	1.1%	2.3%	706	1,540
2003	14,050	861,145,594	10,140,000	131,107	10,008,893	6,096,144	16,105,037	1.2%	1.9%	712	1,146
2002	13,680	789,162,903	10,590,000	767	10,589,233	2,031,329	12,620,562	1.3%	1.6%	774	923
2001	12,840	700,876,600	10,975,000	505,652	10,469,348	1,567,212	12,036,560	1.5%	1.7%	815	937

- (a) Bancroft (special assessment) bonds, outstanding in the year ended 1995, are excluded. 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, Oregon
Ratio of Debt Service Expenditures to General Governmental Expenditures
Last Eight Fiscal Years

Fiscal Year Ended June 30	Bonded Debt (a)			Notes Payable (b)			Total Debt Service	Total General Governmental Expenditures (c)	Ratio of Debt Service to General Government Expenditures (c)	
	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service			Bonded Debt	Total Debt
2010	\$ 670,000	\$ 266,070	\$ 936,070	\$ 1,734,792	1,141,548	\$ 2,876,340	\$3,812,410	\$ 15,076,475	6.2%	25.3%
2009	655,000	283,501	938,501	1,674,606	1,094,784	2,769,390	3,707,891	14,540,746	6.5%	25.5%
2008	655,000	301,139	956,139	1,565,945	1,133,197	2,699,142	3,655,281	13,337,901	7.2%	27.4%
2007	645,000	317,239	962,239	1,325,761	1,018,090	2,343,851	3,306,090	12,008,267	8.0%	27.5%
2006	595,000	343,230	938,230	1,209,368	571,530	1,780,898	2,719,128	7,610,122	12.3%	35.7%
2005	575,000	367,746	942,746	716,493	482,723	1,199,216	2,141,962	12,334,370	7.6%	17.4%
2004	575,000	402,727	977,727	453,681	274,255	727,936	1,705,663	8,645,987	11.3%	19.7%
2003	450,000	524,024	974,024	268,185	157,664	425,849	1,399,873	6,346,096	15.3%	22.1%

- (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.
- (c) For the funds included in General Governmental Expenditures, please refer to the schedule titled "General Governmental Expenditures by Function", also in this Statistical Section.

City of Sherwood, Oregon
Computation of Direct and Overlapping Bonded Debt
General Obligation Bonds
June 30, 2010

Jurisdiction	Net General Obligation Bonded Debt Outstanding	Percentage Applicable to City of Sherwood	Amount Applicable to City of Sherwood	Net General Obligation Bonded Debt Outstanding Per Capita	Ratio of Net General Obligation Bonded Debt Outstanding to Estimated Actual Value
Direct:					
City of Sherwood	\$ 6,365,000	100.00%	\$ 6,365,000	\$ 395	0.29%
Overlapping					
Metro	1,730,550	1.09%	18,863		
Tri-Met	306,777	1.10%	3,375		
Portland Community College	3,073,399	1.37%	42,106		
Washington County	858,799	3.30%	28,340		
Tualatin Valley Fire and Rescue District	1,033,251	3.71%	38,334		
School District 88J	74,910,882	56.06%	41,995,040		
Total	<u>\$ 88,278,658</u>		<u>\$48,491,058</u>	\$ 5,478	4.05%

Source: Oregon State Treasury, Municipal Debt Advisory Commission

**City of Sherwood, Oregon
 Demographic Statistics
 Last Ten Fiscal Years**

July 1	Population (a)	Calendar Year	Median Age (b)	Average Household Size (b)	Per Capita Income	
					City of Sherwood (b)	Washington County (b)
2009	16,640	2009	32.1	2.80	32,525	30,900
2008	16,420	2008				
2007	16,365	2007				
2006	16,115	2006				
2005	14,940	2005				
2004	14,190	2004				
2003	14,050	2003				
2002	13,680	2002				
2001	12,840	2001				
2000	10,815	2000	31.5	2.77	25,793	24,969

- (a) Source: Portland State University Center for Population Research and Census
- (b) Source: ESRI

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

**City of Sherwood, Oregon
 Construction
 Last Ten Fiscal Years**

Fiscal Year Ended June 30	Commercial Construction		Residential Construction	
	Number of Permits	Value	Number of Permits	Value
2010	58	\$ 3,667,582	64	\$ 6,763,315
2009	82	52,920,675	66	41,204,023
2008	73	46,277,307	67	7,383,156
2007	102	9,388,197	117	19,688,517
2006	44	1,583,056	221	47,326,363
2005	1,099	25,097,289	606	67,506,532
2004	1,090	17,522,668	300	67,134,145
2003	824	15,386,561	254	53,333,606
2002	891	14,429,746	285	51,336,528
2001	987	41,718,367	325	51,000,496

Source: City of Sherwood Building Department

**City of Sherwood, Oregon
Miscellaneous Statistics
June 30, 2010**

Date of incorporation	1893
Form of government	Council/Manager
Number of employees	109
Area of square miles	4.5
Miles of streets	50
Culture and recreation:	
Senior / teen centers	2
Recreation centers	2
Acres of sports fields	61
Acres of maintained passive parks	67
Fire protection by Tualatin Valley Fire and Rescue:	
Number of stations in the City of Sherwood	1
Police protection:	
Number of stations	1
Services provided by School District 88J:	
Number of elementary schools in the City	4
Number of middle and high schools in the City	3

COMPLIANCE SECTION



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

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

Honorable Mayor and Members
Of the City Council
City of Sherwood, Oregon
22560 SW Pine Street
Sherwood, Oregon 97140

We have audited the basic financial statements of the City of Sherwood, Oregon (the City) as of and for the year ended June 30, 2010, and have issued our report thereon dated November 19, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements 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.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**
- **Accountability for collecting or receiving money by elected officials - no money was collected or received by elected officials.**

In connection with our testing nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions

of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except for over expenditure of appropriations as indicated in the notes to the financial statements.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

This report is intended solely for the information and use of the City, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these parties.

*GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS*



By: _____
Charles A. Swank, A Shareholder
November 19, 2010