



URA RESOLUTION 2011-001

A RESOLUTION ACCEPTING THE URBAN RENEWAL AGENCY ANNUAL FINANCIAL REPORT FOR THE YEAR ENDING 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 31 annually; and

WHEREAS, the City of Sherwood Urban Renewal Agency has completed its annual financial report for the year ending June 30, 2010; and

WHEREAS, the firm of Mueller, Grove and Swank has completed the required audit of the Urban Renewal's annual financial report; and

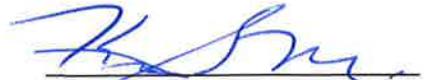
WHEREAS, the Annual Financial Report for the year ending June 30, 2010 is attached to this Resolution as Exhibit A.

NOW, THEREFORE, THE URBAN RENEWAL AGENCY BOARD RESOLVES AS FOLLOWS:

Section 1: To accept the City of Sherwood Urban Renewal Agency Annual Financial Report for the year ending June 30, 2010.

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, Board Chair

Attest:


Sylvia Murphy, CMC, Agency Recorder

***CITY OF SHERWOOD
URBAN RENEWAL AGENCY
(A component unit of the
City of Sherwood, Oregon)
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2010***

CITY OF SHERWOOD URBAN RENEWAL AGENCY
(A Component Unit of the City of Sherwood, Oregon)
AGENCY OFFICIALS
JUNE 30, 2010

| <u>Name</u> | BOARD CHAIR | <u>Term</u> |
|---|--------------------|--------------|
| Keith Mays 23237 SW Pine Sherwood, Oregon 97140 | | January 2011 |

BOARD 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 |

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

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Urban Renewal Agency of the City of Sherwood, Oregon (a component unit of the City of Sherwood, Oregon) as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Agency'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. 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 basic 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 respective financial position of the governmental activities and each major fund of the Urban Renewal Agency of the City of Sherwood, Oregon as of June 30, 2010 and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 Agency's basic financial statements as a whole. The individual fund financial statements and other financial schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The individual 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 other financial schedules 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 Fiscal Year Ended June 30, 2010

As management of the City of Sherwood Urban Renewal Agency (URA), we offer readers this narrative overview and analysis of the financial activities of the URA for the fiscal year ended June 30, 2010.

Financial Highlights

- Improvements are being made to improve the Old Town area.
- Planning is underway for downtown projects.
- Property tax increment revenue was \$3,017,019 for the current year.

Overview of the Financial Statements

The following discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements and required supplementary information. The Agency's basic financial statements are comprised of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business. These statements include all assets of the Agency (including infrastructure such as streets, traffic signals, street lights, buildings, bridges, etc.) as well as all liabilities (including general obligation long-term debt).

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

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

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

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

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

**Government-Wide Financial Analysis
Statements of Net Assets**

| | June 30, | |
|---|-----------------|--------------|
| | 2010 | 2009 |
| <i>Assets</i> | | |
| Other assets | \$ 2,116,542 | \$ 2,907,072 |
| Capital assets | 6,072,803 | 5,463,685 |
| <i>Total Assets</i> | 8,189,345 | 8,370,757 |
| <i>Liabilities</i> | | |
| Current liabilities | 174,036 | - |
| Long-term liabilities | 7,481,000 | 6,511,000 |
| <i>Total Liabilities</i> | 7,655,036 | 6,511,000 |
| <i>Net Assets</i> | | |
| Invested in capital assets, net of debt | 667,623 | 58,505 |
| Unrestricted | (133,314) | 1,801,252 |
| <i>Total Net Assets</i> | \$ 534,309 | \$ 1,859,757 |

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets exceeded liabilities by \$534,309 at the close of fiscal 2010.

A portion of the Agency's net assets reflects its investment of \$667,623 in capital assets (e.g., land, buildings, improvements, equipment, and infrastructure, net of accumulated depreciation), less any related outstanding debt used to acquire those assets. The Agency uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending.

The remaining balance is unrestricted net assets totaling \$(133,314).

Statements of Activities

| | Year Ended June 30, | |
|-----------------------------|----------------------------|--------------|
| | 2010 | 2009 |
| Revenues | | |
| Property taxes | \$ 3,034,190 | \$ 2,700,890 |
| Miscellaneous | 90,248 | 365,000 |
| <i>Total Revenues</i> | 3,124,438 | 3,065,890 |
| Expenses | | |
| Public works | 3,683,084 | 1,690,139 |
| Interest on long-term debt | 723,198 | 817,636 |
| Depreciation | 43,604 | 11,000 |
| <i>Total Expenses</i> | 4,449,886 | 2,518,775 |
| Change in Net Assets | (1,325,448) | 547,115 |
| Beginning Net Assets | 1,859,757 | 1,312,642 |
| Ending Net Assets | \$ 534,309 | \$ 1,859,757 |

The Agency's overall net assets decreased by \$(1,325,448) during the fiscal year ended June 30, 2010. The key factor for the decrease was an increased spending for projects.

Capital Assets

At June 30, 2010, the Agency had \$6,072,803 invested in capital assets as compared to \$5,463,685 at June 30, 2009.

| | 2010 | 2009 |
|--|--------------|--------------|
| Land | \$ 3,329,000 | \$ 3,329,000 |
| Buildings | 2,832,902 | 2,180,180 |
| Machinery and equipment | 2,071 | 2,071 |
| | 6,163,973 | 5,511,251 |
| Accumulated depreciation | (91,170) | (47,566) |
| <i>Capital assets, net of depreciation</i> | \$ 6,072,803 | \$ 5,463,685 |

Debt Administration

At the end of the current fiscal year, the Agency had \$7,481,000 of outstanding long-term debt. Additional information on the Agency's debt can be found on page 16 of the annual financial report.

Current Year Budgetary Highlights

The Agency made no budget amendments during the year ended June 30, 2010.

Economic Factors and Next Year's Budgets and Rates

During the preparation of the budget for the ensuing fiscal year, the long-term impacts of the local economy were examined in conjunction with business decisions made by the URA.

The Agency's adopted budget for the year ending June 30, 2011 reflects total estimated resources of \$14,699,703 which exceeds total estimated expenditures by \$2,912,532.

Requests for Information

This financial report is designed to provide a general overview of the Agency's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report should be addressed to the Finance Director at 22560 SW Pine Street, Sherwood, Oregon 97140.

URBAN RENEWAL AGENCY OF THE CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)
STATEMENT OF NET ASSETS
JUNE 30, 2010

ASSETS

| | |
|-------------------------------------|--------------|
| Cash and investments | \$ 1,983,160 |
| Accounts receivable | 1,789 |
| Property taxes receivable | 131,593 |
| Non-depreciable capital assets | 3,329,000 |
| Capital assets, net of depreciation | 2,743,803 |

| | |
|---------------------|-----------|
| <i>Total Assets</i> | 8,189,345 |
|---------------------|-----------|

LIABILITIES

| | |
|----------------------------|-----------|
| Accounts payable | 174,036 |
| Noncurrent liabilities | |
| Due within one year: | |
| Loans payable | 7,097,000 |
| Due in more than one year: | |
| Loans payable | 384,000 |

| | |
|--------------------------|-----------|
| <i>Total Liabilities</i> | 7,655,036 |
|--------------------------|-----------|

NET ASSETS

| | |
|---|-----------|
| Investment in capital assets, net of related debt | 667,623 |
| Unrestricted | (133,314) |

| | |
|-------------------------|------------|
| <i>Total Net Assets</i> | \$ 534,309 |
|-------------------------|------------|

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

URBAN RENEWAL AGENCY OF THE CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

EXPENSES

| | |
|----------------------------|--------------|
| Public works | \$ 3,683,084 |
| Depreciation | 43,604 |
| Interest on long-term debt | 723,198 |

| | |
|-----------------------|-----------|
| <i>Total Expenses</i> | 4,449,886 |
|-----------------------|-----------|

REVENUES

| | |
|----------------|-----------|
| Property taxes | 3,034,190 |
| Miscellaneous | 90,248 |

| | |
|-----------------------|-----------|
| <i>Total Revenues</i> | 3,124,438 |
|-----------------------|-----------|

| | |
|-----------------------------|-------------|
| CHANGE IN NET ASSETS | (1,325,448) |
|-----------------------------|-------------|

| | |
|---------------------------------|-----------|
| NET ASSETS, July 1, 2009 | 1,859,757 |
|---------------------------------|-----------|

| | |
|----------------------------------|------------|
| NET ASSETS, June 30, 2010 | \$ 534,309 |
|----------------------------------|------------|

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

URBAN RENEWAL AGENCY OF THE CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)
BALANCE SHEET
JUNE 30, 2010

ASSETS

| | |
|---------------------------|---------------------|
| Cash and investments | \$ 1,983,160 |
| Accounts receivable | 1,789 |
| Property taxes receivable | 131,593 |
| | <hr/> |
| <i>Total Assets</i> | \$ 2,116,542 |
| | <hr/> <hr/> |

LIABILITIES AND FUND BALANCE

Liabilities

| | |
|--------------------------|------------|
| Accounts payable | \$ 174,036 |
| Deferred revenue | 131,593 |
| | <hr/> |
| <i>Total Liabilities</i> | 305,629 |

Fund Balance

| | |
|---|---------------------|
| Unreserved | 1,810,913 |
| | <hr/> |
| <i>Total Liabilities and Fund Balance</i> | \$ 2,116,542 |
| | <hr/> <hr/> |

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

URBAN RENEWAL AGENCY OF THE CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)
RECONCILIATION TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

| | |
|---|--------------|
| <i>Fund Balance</i> | \$ 1,810,913 |
| The Statement of Net Assets reports receivables at their net realizable value. | |
| However, receivables not available to pay for current period expenditures are deferred in governmental funds. | 131,593 |
| Capital assets are not financial resources in governmental funds, but are reported in the Statement of Net Assets at their net depreciable value. | |
| Cost | 6,163,973 |
| Accumulated depreciation | (91,170) |
| All liabilities are reported in the Statement of Net Assets. However, if they are not due and payable in the current period, they are not recorded in governmental funds. | |
| | (7,481,000) |
| <i>Net Assets</i> | \$ 534,309 |

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

URBAN RENEWAL AGENCY OF THE CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2010

| | |
|---|--------------------------------|
| REVENUES | |
| Property taxes | \$ 3,017,019 |
| Miscellaneous | 90,248 |
| | <hr/> |
| <i>Total Revenues</i> | <u>3,107,267</u> |
| EXPENDITURES | |
| Personal services | 162,580 |
| Materials and services | 2,389,488 |
| Capital outlay | 652,722 |
| Debt service | |
| Principal | 911,016 |
| Interest | 723,198 |
| | <hr/> |
| <i>Total Expenditures</i> | <u>4,839,004</u> |
| REVENUES OVER (UNDER) | |
| EXPENDITURES | (1,731,737) |
| OTHER FINANCING SOURCES (USES) | |
| Transfers to City | (250,000) |
| Proceeds from issuance of debt | 1,000,000 |
| | <hr/> |
| <i>Total Other Financing Sources (Uses)</i> | <u>750,000</u> |
| NET CHANGE IN FUND BALANCE | (981,737) |
| FUND BALANCE, Beginning of year | <u>2,792,650</u> |
| FUND BALANCE, End of year | <u><u>\$ 1,810,913</u></u> |

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

URBAN RENEWAL AGENCY OF THE CITY OF SHERWOOD, OREGON

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010**

| | |
|--|------------------------------|
| <i>Net Change in Fund Balance</i> | \$ (981,737) |
| Governmental funds defer revenues that do not provide current financial resources. However, the Statement of Activities recognizes such revenues at their net realizable value when earned, regardless of when received. | 17,171 |
| Capital outlays are reported as expenditures in governmental funds. However, the Statement of Activities allocates the cost of capital outlay over their estimated lives as depreciation expense. | |
| Capitalized expenditures | 652,722 |
| Depreciation | (43,604) |
| Proceeds for the issuance of long-term debt provide current financial resources to governmental funds and are reported as revenues. In the same way, repayments of long-term debt use current financial resources and are reported as expenditures in governmental funds. However, neither receipt of debt proceeds nor the payment of debt principal affect the Statement of Activities but are reported as increases and decreases in noncurrent liabilities in the Statement of Net Assets. | |
| Proceeds from issuance of debt | (1,000,000) |
| Debt principal paid | 30,000 |
| | <hr/> |
| <i>Change in Net Assets</i> | <u><u>\$ (1,325,448)</u></u> |

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

URBAN RENEWAL AGENCY OF THE CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The City of Sherwood Urban Renewal Agency was created on July 1, 2001 to promote the economic welfare and prosperity of the City's inhabitants. The Agency is governed by a seven-member board of directors that include the City's mayor and council members and is included as a component unit in the City's financial statements as a special revenue fund.

Government-wide and Fund Financial Statements

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

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary or fiduciary. Currently, the Agency has one governmental (general) fund. The fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenses.

Measurement Focus and Basis of Accounting

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

The modified accrual basis of accounting is used by governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

URBAN RENEWAL AGENCY OF THE CITY OF SHERWOOD, OREGON
NOTES TO FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2009

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments

The Agency maintains its cash balance as a part of the pooled cash of the City of Sherwood. Expenditures by the City for the Agency are reimbursed by the Agency. State statutes authorize the City to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial paper and the state treasurer's investment pool, among others. Information on the City's cash and disclosures related to cash can be found in the annual financial report of the City.

Receivables and Deferred Revenues

Property taxes receivable for the governmental fund types, which have been collected within thirty days subsequent to year end, are considered measurable and available and are recognized as revenues. All other property taxes are offset by deferred property tax revenues and, accordingly, have not been recorded as revenue. Real and personal property taxes are levied upon all taxable property within the Agency and become liens against the property as of July 1 of each year and are payable in three installments which are due on November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Property taxes receivable by the Agency represent the Agency's allocated share of delinquent property taxes and other amounts to be collected from property owners.

Capital Assets

Capital assets (items lasting more than one year and costing in excess of \$5,000) are stated at historical cost. Capital assets are charged to expenditures in the governmental fund types as purchased. Depreciation is computed in the government-wide financial statements on assets in service, using the straight-line method over their estimated useful life of 5 years for equipment and 50 years for buildings and infrastructure.

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

During the current year the URA purchased property from the City for \$250,000. For purposes of the statement of revenues, expenditures, and changes in fund balance the transaction is reported as a transfer to the City. For purposes of the budgetary comparison schedule, the transaction is included in capital outlay, which is how it was budgeted.

Long-term Debt

In the government-wide financial statements, long-term debt is reported as a liability. 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.

URBAN RENEWAL AGENCY OF THE CITY OF SHERWOOD, OREGON
NOTES TO FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2009

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term Debt (Continued)

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

The URA makes payments on debt that is the liability of the City. Such payments are reported as debt principal and interest. However, for purposes of the reconciliation of the statement of revenues, expenditures, and changes in fund balances to the statement of activities, only debt principal paid on debt owed by the URA is treated as a reconciling item.

Budget and Budgetary Accounting

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

Use of Restricted Assets

When disbursements are paid for purposes in which both restricted and unrestricted net assets are available, the Agency deems restricted net assets to be spent first.

CAPITAL ASSETS

The changes in the capital assets for the year ended June 30, 2010 are as follows:

| | <i>Balances July 1, 2009</i> | <i>Additions</i> | <i>Retirements</i> | <i>Balances June 30, 2010</i> |
|-------------------------------|--------------------------------------|-------------------|--------------------|---------------------------------------|
| Land | \$ 3,329,000 | \$ - | \$ - | \$ 3,329,000 |
| Buildings and infrastructure | 2,180,180 | 652,722 | - | 2,832,902 |
| Equipment | 2,071 | - | - | 2,071 |
| | <u>5,511,251</u> | <u>652,722</u> | <u>-</u> | <u>6,163,973</u> |
| Less accumulated depreciation | (47,566) | (43,604) | - | (91,170) |
| | <u>\$ 5,463,685</u> | <u>\$ 609,118</u> | <u>\$ -</u> | <u>\$ 6,072,803</u> |

URBAN RENEWAL AGENCY OF THE CITY OF SHERWOOD, OREGON
NOTES TO FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2010

CAPITAL ASSETS (Continued)

During the prior year, the Agency transferred \$3,340,591 to the City of Sherwood. The transaction was reported as a transfer out on the statement of revenues, expenditures and changes in fund balance. The City of Sherwood has designated that the proceeds from the sale of certain City-owned property will go to the Agency when the property is sold. For purposes of the Agency statements, an additional \$3,340,591 of capital asset additions were recorded.

LONG-TERM DEBT

Long-term debt transactions for the year were as follows:

| | <u>Outstanding July 1, 2009</u> | <u>Issued</u> | <u>Matured/ Redeemed During Year</u> | <u>Outstanding June 30, 2010</u> | <u>Due Within One Year</u> |
|---|---|---------------------|--|--|--------------------------------|
| Old School redevelopment loan, issued at \$550,000 with interest at 5.75%, annual payments from \$56,000 to \$57,000 | \$ 446,000 | \$ - | \$ (30,000) | \$ 416,000 | \$ 32,000 |
| 2008 Line of Credit, with interest at 1.90% | 6,065,000 | 1,000,000 | - | 7,065,000 | 7,065,000 |
| | <u>\$ 6,511,000</u> | <u>\$ 1,000,000</u> | <u>\$ (30,000)</u> | <u>\$ 7,481,000</u> | <u>\$ 7,097,000</u> |

Future maturities of long-term debt are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|---------------------|-------------------|---------------------|
| 2011 | \$ 7,097,000 | \$ 45,526 | \$ 7,142,526 |
| 2012 | 34,000 | 22,080 | 56,080 |
| 2013 | 35,000 | 20,125 | 55,125 |
| 2014 | 38,000 | 18,113 | 56,113 |
| 2015 | 40,000 | 15,928 | 55,928 |
| 2016-2020 | 237,000 | 42,437 | 279,437 |
| | <u>\$ 7,481,000</u> | <u>\$ 164,209</u> | <u>\$ 7,645,209</u> |

URBAN RENEWAL AGENCY OF THE CITY OF SHERWOOD, OREGON
NOTES TO FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2010

OVEREXPENDITURE OF APPROPRIATIONS

The Agency overexpended its appropriation for personal services during the 2009-2010 fiscal year by \$8,042.

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

URBAN RENEWAL AGENCY OF THE CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2010

| | <i>Budgeted Amounts</i> | | <i>Actual</i> | <i>Variance</i> |
|---|-------------------------|--------------------|---------------------|---------------------|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Property taxes | \$ 2,888,302 | \$ 2,888,302 | \$ 3,017,019 | \$ 128,717 |
| Miscellaneous | 51,200 | 51,200 | 90,248 | 39,048 |
| <i>Total Revenues</i> | <u>2,939,502</u> | <u>2,939,502</u> | <u>3,107,267</u> | <u>167,765</u> |
| EXPENDITURES | | | | |
| Personal services | 154,538 | 154,538 | 162,580 | (8,042) |
| Materials and services | 560,760 | 560,760 | 542,840 | 17,920 |
| Capital outlay | 8,773,750 | 8,773,750 | 2,749,370 | 6,024,380 |
| Debt service | | | | |
| Principal | 911,000 | 911,000 | 911,016 | (16) |
| Interest | 858,269 | 858,269 | 723,198 | 135,071 |
| <i>Total Expenditures</i> | <u>11,258,317</u> | <u>11,258,317</u> | <u>5,089,004</u> | <u>6,169,313</u> |
| REVENUES OVER (UNDER) EXPENDITURES | (8,318,815) | (8,318,815) | (1,981,737) | 6,337,078 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from issuance of debt | 8,500,000 | 8,500,000 | 1,000,000 | (7,500,000) |
| <i>Total Other Financing Sources (Uses)</i> | <u>8,500,000</u> | <u>8,500,000</u> | <u>1,000,000</u> | <u>(7,500,000)</u> |
| NET CHANGE IN FUND BALANCE | 181,185 | 181,185 | (981,737) | (1,162,922) |
| FUND BALANCE, Beginning of year | <u>362,561</u> | <u>362,561</u> | <u>2,792,650</u> | <u>2,430,089</u> |
| FUND BALANCE, End of year | <u>\$ 543,746</u> | <u>\$ 543,746</u> | <u>\$ 1,810,913</u> | <u>\$ 1,267,167</u> |

OTHER SUPPLEMENTARY INFORMATION

URBAN RENEWAL AGENCY OF THE CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)
SCHEDULE OF PROPERTY TAX TRANSACTIONS
YEAR ENDED JUNE 30, 2010

| <i>Fiscal Year</i> | <i>Taxes Receivable July 1, 2009</i> | <i>2009-10 Levy</i> | <i>Interest, Discounts & Adjustments</i> | <i>Turnovers</i> | <i>Taxes Receivable 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) | 10,738 |
| 2006-07 | 6,321 | - | 377 | (4,456) | 2,242 |
| 2005-06 | 1,252 | - | 95 | (972) | 375 |
| 2004-05 | 409 | - | (78) | (56) | 275 |
| Prior | 181 | - | 281 | (75) | 387 |
| <i>Total</i> | <u>\$ 114,122</u> | <u>\$ 3,124,291</u> | <u>\$ (87,910)</u> | <u>\$ (3,018,910)</u> | <u>\$ 131,593</u> |

URBAN RENEWAL AGENCY OF THE CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)
SCHEDULE OF FUTURE PAYMENTS OF LONG-TERM DEBT BY ISSUE
JUNE 30, 2010

| <i>Fiscal Year</i> <i>Ending June 30,</i> | <i>2005 Old School Loan</i> | | | <i>2008 URA Line of Credit</i> | | |
|--|-----------------------------|-------------------|-------------------|--------------------------------|------------------|---------------------|
| | <i>Principal</i> | <i>Interest</i> | <i>Total</i> | <i>Principal</i> | <i>Interest</i> | <i>Total</i> |
| 2011 | \$ 32,000 | \$ 23,920 | \$ 55,920 | \$ 7,065,000 | \$ 21,606 | \$ 7,086,606 |
| 2012 | 34,000 | 22,080 | 56,080 | - | - | - |
| 2013 | 35,000 | 20,125 | 55,125 | - | - | - |
| 2014 | 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 | - | - | - |
| | <u>\$ 416,000</u> | <u>\$ 142,603</u> | <u>\$ 558,603</u> | <u>\$ 7,065,000</u> | <u>\$ 21,606</u> | <u>\$ 7,086,606</u> |

| <i>Principal</i> | <i>Interest</i> | <i>Total</i> |
|---------------------|-------------------|---------------------|
| \$ 7,097,000 | \$ 45,526 | \$ 7,142,526 |
| 34,000 | 22,080 | 56,080 |
| 35,000 | 20,125 | 55,125 |
| 38,000 | 18,113 | 56,113 |
| 40,000 | 15,928 | 55,928 |
| 42,000 | 13,628 | 55,628 |
| 45,000 | 11,213 | 56,213 |
| 47,000 | 8,625 | 55,625 |
| 50,000 | 5,923 | 55,923 |
| 53,000 | 3,048 | 56,048 |
| <u>\$ 7,481,000</u> | <u>\$ 164,209</u> | <u>\$ 7,645,209</u> |

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 Urban Renewal Agency
22560 SW Pine Street
Sherwood, Oregon 97140

We have audited the basic financial statements of the Urban Renewal Agency of the City of Sherwood, Oregon 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 Agency'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 Agency 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 overexpenditure 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 Agency'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 Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

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

This report is intended solely for the information and use of the mayor, council members and management of the Urban Renewal Agency of the City of Sherwood, Oregon and the Oregon Secretary of State 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