

| CITY OF SHADY COVE

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2023
WITH
INDEPENDENT AUDITOR'S REPORT





TABLE OF CONTENTS

City of Shady Cove, Oregon Year Ended June 30, 2023

Independent Auditor's Report	A-1-A-4
Management's Discussion and Analysis	B-1-B-8
Basic Financial Statements:	
Government – Wide Financial Statements:	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet – Governmental Funds	3
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	4
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	6
Statement of Net Position – Fiduciary Fund	7
Statement of Changes in Net Position – Fiduciary Fund	8
Notes to the Basic Financial Statements	9-31
Required Supplementary Information:	
Schedule of the City's Proportionate Share of the Net Pension Asset/(Liability) and Schedule of the City's Contributions	32
Combining Balance Sheet Funds which comprise the City's General Fund	33
General Fund, Capital Purchase Reserve Fund and Capital Improvement Fund Combining Schedule	34
Major Governmental Funds:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
General Fund	35
Capital Purchase Reserve Fund	36
Capital Improvement Fund	37
Street Fund	38
System Development Charges Fund	39
Other Supplementary Information:	
Independent Auditor's Report Required by Oregon State Regulations	40-41

CITY OF SHADY COVE, OREGON

Fiscal Year Ended June 30, 2023

ELECTED OFFICIALS OF THE CITY OF SHADY COVE, OREGON

Jon Ball Mayor

Kathy Nuckles Chair/Council President

Steve Mitchell Councilor

Paige Winfrey Councilor

Jim Hubbard Councilor

ADMINISTRATION

Thomas Corrigan City Administrator

ADDRESS

City of Shady Cove
22451 Hwy 62
P.O. Box 1210
Shady Cove, OR 97539



Independent Auditor's Report

City Council and Michele Parry, City Administrator
P.O. Box 1210
22451 Highway 62
Shady Cove, OR 97539

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Shady Cove, Oregon (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Qualified
Governmental Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Qualified Opinion on Governmental Activities

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the City, as of June 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Governmental Funds and Aggregate Remaining Fund Information

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the City, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

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

Matter Giving Rise to Qualified Opinion on Governmental Activities

The City has not obtained an actuarial valuation for its single-employer other-postemployment benefit plan. Accounting principles generally accepted in the United States of America require that long-term liabilities and associated expenses be recorded, which would decrease the ending net position and the change in net position. The amount by which this departure would affect the ending net position and change in net position has not been determined

Emphasis of Matter – Prior Year Disclaimer of Opinion

We draw attention to the fact that the financial statements for the year ended June 30, 2022 were audited by another auditor who expressed a disclaimer of opinion. That disclaimer was due to the auditor's inability to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Our opinion on the current year's financial statements is not modified in respect of this matter.

Emphasis of Matter – Prior Period Restatement

As discussed in *Note 2* to the financial statements, the financial statements for the year ended June 30, 2022 have been restated to correct errors. Our opinion is not modified with respect to that matter.

Emphasis of Matter – Error Correction

As disclosed in the financial statements, the City restated its financial statements for the year ended June 30, 2022 to correct a material misstatement resulting from the omission of a fiduciary fund that should have been presented. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, General Fund and major Special Revenue Fund budgetary comparison information, and certain pension schedules as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis, and certain pension schedules 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.

The General Fund and major Special Revenue Fund budgetary comparison information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the General Fund and major Special Revenue Fund budgetary comparison information and the combing schedule noted under the required supplementary information in the Table of Contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Oregon State Regulations

In accordance with Oregon State Regulation, we have also issued our report dated December 8, 2025 on our consideration of the City of Shady Cove's compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, including the provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0330 of the Minimum Standards for Audits of Oregon Municipal Corporations. The purpose of that report is to describe the scope of our testing necessary to address the required provisions of ORS, and not to provide an opinion on compliance with such provisions.



Benjamin R. Cohn, CPA
KDP Certified Public Accountants, LLP
Medford, Oregon
December 8, 2025



| MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2023

This Management Discussion and Analysis (MD&A) is presented to facilitate financial analysis and provide an overview of the financial activities of the City of Shady Cove (the City) for the fiscal year ended June 30, 2023. Information in the MD&A is based on currently known facts, decisions and conditions. Please read it in conjunction with the basic financial statements and the accompanying notes to those financial statements. It should also be noted that all amounts included in text below are rounded for ease of reading.

FINANCIAL HIGHLIGHTS

- The City continued its contract with the Jackson County Sheriff's Office during the year. The City reported expenditures of approximately \$566 thousand during the current year.
- In the **government-wide statements**, the City's assets totaled \$6.14 million at June 30, 2023 consisting of \$1.15 million in capital assets, \$3.18 million in cash and investments, and approximately \$1.8 million in receivables. Capital assets, net of accumulated depreciation increased by approximately \$278 thousand in the current year. Cash and investment balances increased by approximately \$405 thousand from the prior year.
- In the **government-wide statements**, the City's liabilities totaled \$2.8 million at June 30, 2023 consisting of \$1.6 million in long-term debt, including the current portion, net pension liability of approximately \$209 thousand, and approximately \$915 thousand in accounts payable and other current liabilities.
- **Government-wide** net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources) totaled \$3.3 million at June 30, 2023 of which \$1.14 million was the net investment in capital assets, approximately \$1.1 million was restricted, and approximately \$1.1 million considered unrestricted. In the prior year, net assets totaled \$1.18 million, of which \$875 thousand was invested in capital assets net of related debt, approximately \$966 thousand was restricted, and a deficit balance of \$658 thousand was considered unrestricted.
- In the **government-wide statements**, the City generated program revenues of \$1.49 million from its governmental activities. Direct expenses of all programs totaled \$1.47 million. General revenues which include taxes, franchise taxes and investment income totaled approximately \$364 thousand. In the prior year the City generated program revenues of \$2.05 million from its governmental activities. Direct expenses of all programs totaled \$1.99 million. General revenues which include taxes, franchise fees and investment income totaled approximately \$349 thousand.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Basic Financial Statements and supplementary information are presented using the integrated approach as prescribed by GASB Statement No. 34. The Basic Financial Statements are comprised of three components:

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

The Basic Financial Statements present financial information about the City as a whole and about its activities. Following the Basic Financial Statements is the Required and Other Supplementary Information which provides budgetary comparisons for the governmental and proprietary funds, and other combining fund schedules. Finally, completing the document is a series of other financial schedules, and reports by the independent certified public accountants, as required by statute.

1. Government-wide Financial Statements

The government-wide financial statements are designed to present the financial picture of the City in a manner similar to a private-sector business, i.e. from the economic resources measurement focus using the accrual basis of accounting.

The Statement of Net Position includes all assets and deferred outflows of resources of the City (including infrastructure) as well as all liabilities (including long-term debt) and deferred inflows of resources. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position may be an indicator of whether its financial health is improving or deteriorating.

The Statement of Activities reports all revenues when earned and expenses when incurred regardless of the timing of related cash flows. The focus of the Statement of Activities is to present the major program costs, matching major resources with each. To the extent a program's costs are not recovered by grants and direct charges, it is paid from general taxes and other general revenues. This Statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

Governmental activities of the City are categorized as follows:

- General government - includes centralized services such as public works administration and support, information technology, community development, building and planning functions, administration and financial services and other general functions not separately identified as a program.
- Public safety - includes contracted services with Jackson County Sheriff's Office.
- Highways and streets - includes the City's street maintenance operations, street and local improvement construction and the City's engineering activities.
- Parks and recreation – includes the City's public parks, including maintenance
- Interest on long-term debt

2. Fund Financial Statements

Following the government-wide statements is a section containing fund financial statements. The fund financial statements include statements for governmental funds funds. Funds are used to segregate resources for specific activities or objectives.

Governmental Funds. The governmental fund statements emphasize available financial resources rather than net income. They are prepared using the current financial resources measurement focus and modified accrual basis of accounting. A reconciliation of the fund balance reported in the governmental funds Balance Sheet to the net assets reported on the government-wide Statement of Net Position, and a reconciliation of the change in fund balances reported in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances to the change in net position reported in the government-wide Statement of Activities are provided to facilitate a comparison between governmental funds and governmental activities.

The City has three major governmental funds: General Fund, Street Fund, and Systems Development Charges Fund. The major governmental funds have all been reported separately. The City also has two funds for budgetary purposes: Capital Improvement Fund and Capital Purchase Reserve Fund. The Capital Improvement Fund and the Capital Purchase Reserve Fund combined with the General Fund for financial reporting purposes.

Fiduciary Funds. Fiduciary funds are used to account for assets held by the City as trustee or agent. Each trust fund is treated for accounting measurement purposes in a manner similar to a governmental fund. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds and pension trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurements of results of operations.

3. Notes to the Basic Financial Statements

The notes provide information that is essential for a full understanding of the data presented in the government-wide and fund financial statements (the basic financial statements). Information such as significant accounting policies and detail of certain assets and liabilities are included in the notes which should be read in conjunction with the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Position

The City's assets/deferred outflows exceeded liabilities/deferred inflows by \$3.3 million at June 30, 2023. Governmental activities totaled a net position of approximately \$3.3 million.

	Governmental Activities	
	June 30, 2023	June 30, 2022
Assets:		
Current and other assets	\$ 4,991,435	\$ 4,549,513
Capital assets	1,152,975	875,361
Total assets	<u>6,144,410</u>	<u>5,424,874</u>
Deferred outflows of resources	<u>95,932</u>	<u>133,865</u>
Total assets and deferred outflows	<u><u>6,240,342</u></u>	<u><u>5,558,739</u></u>
Liabilities:		
Current liabilities	985,634	666,900
Noncurrent liabilities	<u>1,772,581</u>	<u>1,787,778</u>
Total liabilities	<u>2,758,215</u>	<u>2,454,678</u>
Deferred inflows of resources	<u>153,222</u>	<u>1,920,316</u>
Total liabilities and deferred inflows	<u><u>2,911,437</u></u>	<u><u>4,374,994</u></u>
Net investment in		
Capital assets	1,142,912	875,361
Restricted	1,108,317	966,507
Unrestricted	<u>1,077,676</u>	<u>(658,123)</u>
Total net position	<u><u>\$ 3,328,905</u></u>	<u><u>\$ 1,183,745</u></u>

As mentioned earlier, net position may be an indicator of the City's financial position. At the end of the current year, the City has a positive net position balance. Net position increased by approximately \$2.1 million from the prior year as revenues exceeded expenses/expenditures and beginning net position was restated for errors.

Analysis of Changes in Net Position

The City's Statement of Activities for fiscal year ended June 30, 2023 follows:

	Governmental Activities	
	June 30, 2023	June 30, 2022
Revenues		
Program revenues:		
Charges for services	\$ 1,083,221	\$ 1,735,671
Operating Grants	61,823	316,355
Capital grants and contributions	342,331	-
General revenues:		
Property taxes	173,621	227,931
Other taxes	132,192	110,356
Interest	55,716	10,426
Miscellaneous	2,048	-
Total revenues	<u>1,850,952</u>	<u>2,400,739</u>
Expenses		
Administrative	726,686	931,889
Public Safety	565,976	377,896
Highways and streets	98,642	617,419
Parks and recreation	16,160	5,758
Interest on long-term debt	57,948	60,194
Total expenses	<u>1,465,412</u>	<u>1,993,156</u>
Change in net position	385,540	407,583
Beginning net position, as restated	<u>2,943,365</u>	<u>776,162</u>
Ending net position	<u>\$ 3,328,905</u>	<u>\$ 1,183,745</u>

Governmental Activities

Governmental activities and corrections to beginning net position increased the City's net position by approximately \$2.1 million. Governmental revenues totaled \$1.85 million and consisted primarily of property taxes of approximately \$174 thousand, other taxes of approximately \$132 thousand, interest revenue of approximately \$56 thousand, miscellaneous revenue of \$2 thousand, charges for services of approximately \$1.08 million, operating grant revenue of approximately \$62 thousand, capital grant and contribution revenue of approximately \$342 thousand.

As discussed earlier, the City's governmental activities are categorized into the following programs: General government; Public Safety, highways and street, parks and recreation, and interest on long-term debt. General government activities are activities not categorized in any of the programs and include central services such as building operations, engineering, public works administration and support, and administration and financial services.

FUND ANALYSIS

The City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The focus of the governmental funds is to provide information on near-term inflows, outflows and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of major governmental funds reported by the City include the General Fund, Street Fund, and Systems Development Charges Fund. Types of nonmajor governmental funds reported for budgetary control by the City include the Capital Improvement Fund and Capital Purchase Reserve Fund. The Capital Purchase Reserve Fund is combined with the General Fund for financial reporting purposes.

At the end of the current year, the City's governmental funds had combined ending fund balances of approximately \$2.46 million, an increase of approximately \$198 thousand from the prior year's fund balances of approximately \$2.26 million. Revenues totaled \$1.85 million while expenditures which include current, capital outlay and debt service expenditures totaled \$1.82 million.

The ending fund balances of approximately \$2.46 million is comprised of approximately \$595 thousand restricted to Street Fund obligations, \$99 thousand to General Fund debt service, \$415 thousand for system development, \$150 thousand is committed to future capital improvements, and approximately \$1.2 million unassigned and available for spending by the City within the purposes specified for the City's General Fund.

The General Fund is a primary operating fund of the City. At the end of the fiscal year, the unassigned fund balance of the General Fund was approximately \$1.2 million, down approximately \$93 thousand from the previous year's calculated unassigned fund balance. Fund balance increased by approximately \$152 thousand in the Street Fund and approximately \$7 thousand in the Systems Development Charges Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The adopted budget of the General Fund did not include any capital outlay expenses for the current fiscal year. The 2022-2023 budget also reflects promotions of current City staff with continued employee development which increases community confidence. The contract with the Jackson County Sheriff's Office for Public Safety for the City is also included in the General Fund's budget.

CAPITAL ASSETS

As of June 30, 2023, the City had invested \$1.15 million in capital assets, net of depreciation as reflected in the following table, which represents a net increase (additions, deductions, adjustments and depreciation) of approximately \$278 thousand.

	Governmental Activities
Land	\$ 149,503
Buildings and improvements	122,202
Machinery and equipment	900
Infrastructure	<u>880,370</u>
Total	<u>\$ 1,152,975</u>

Please refer to the notes to the basic financial statements for further detailed information.

DEBT ADMINISTRATION

As of year-end, the City had \$1.63 million in long-term debt outstanding compared to \$1.7 million in the previous year. Principal payments on long-term debt were approximately \$65 thousand.

All outstanding debt at year-end is reported in the governmental fund section, and is comprised of the following:

Sewer Bond - Refinanced	\$ 1,625,000
	<hr/>
Total principal	1,625,000
	<hr/>
Unamortized Premium	10,063
	<hr/>
Total long-term debt	\$ 1,635,063
	<hr/> <hr/>

The City has also recorded a corresponding note receivable as under the sewer operations annexation agreement, RVSS is to make annual debt service payments to the City.

Debt Limitation and Ratings

Oregon Revised Statutes provides a limit on non-self-supporting general obligation debt of 3% of the real market value of all taxable property within the City. Based on the fiscal year 2023 value, the City is within its debt limitation.

Please refer to the notes to the basic financial statements for further detailed information.

ECONOMIC FACTORS, NEXT YEAR'S BUDGET AND RATES

The effects that wildfires, subsequent evacuations, and impacts from Covid-19 have played a major role in City operations. Staff outages due to Covid-19 issues began early in the epidemic timeline. As most of the country has dealt with the devastating role Covid-19 has had, this just serves as a reminder of the severity of it on a very small City with limited resources. We currently have only 5 total employees for all positions and when there is just one person out it can be calamitous.

The City's permanent property tax rate of 54.7 cents per thousand is the lowest in the region, and one of the lowest in the state, accounting for approximately \$136,000.00 in revenue for the year. Our property tax rate falls far short of providing enough revenue to fully fund City services. Without the benefit of franchise fees, public safety fees, other City fees, and state subventions, the City could not provide even a minimal level of service.

Development continues to remain flat with the onset and burgeoning problems of Covid-19 and subsequent variants. A lack of undeveloped commercial property limits that number of new commercial developments; however, the number of business licenses remains relatively consistent. A recent grant from the State of Oregon has produced a Buildable Lands Inventory to assess the opportunities.

The City Council has been committed to Staff delving into as many grants as possible to provide financial support for increased infrastructure improvements where they make a community-wide impact. Such grants include Community Development Block Grants, Business Oregon Wildfire grants, Business Oregon and Southern Oregon Regional Development economic grants, Oregon Department of Transportation Small Cities Allotment grants, feasibility studies for infrastructure through a State of Oregon grant which could potentially realize a grant from FEMA. The federal government has been allocating funding through the State, Jackson County, and the City to reach businesses impacted again by Covid-19. The last of these currently received is through the American Rescue Fund. There are, of course, significant rules with using these funds. The City has been working with the City Attorney, per the federal rules, to guide us through said rules in utilizing funds.

Gravel road improvements continue. Each year, the City has “oiled” a number of streets utilizing funds from the Small Cities Allotment grant administered by the Oregon Department of Transportation. This is a capacity increasing measure that helps minimize the impact of increased traffic to the road surface.

As stated previously, the City of Shady Cove relies heavily on fees and state subventions. Some of these fees include raft taxes (fees charged per raft rental) and transient occupancy taxes (a percentage of rental rate). Due to the increase in transient occupancies and online booking, the City has recognized a little additional transient income; however, the City has seen a dramatic drop in raft rental revenue due again to Covid-19 and now also the wildfires and subsequent smoke from the region that has plagued our community. It has had a negative impact on tourism, as well as the recent closure of one of the raft rental companies in Shady Cove.

State subventions include tax revenue received from the state. Each year it is anticipated that gas tax revenue will decrease with more fuel-efficient vehicles and alternative fuels. The state continues to struggle with ways to increase revenue for road infrastructure, and we anticipate little impact to the City. Although electric and compressed natural gas sales have not paid into state gas tax, which has a direct impact on the revenue we receive, the state is looking at alternative taxing methods.

As part of the state subventions, the City also receives revenue related to cigarette and alcohol taxes. State forecasts show a decline in both cigarette and alcohol sales, and therefore tax revenue that the City may receive, however Covid-19 has actually had the opposite effect in regard to these taxes with people staying home. It appears to be a relationship between increased marijuana sales versus cigarette and alcohol sales, which will likely impact the City, at least slightly. The City has chosen to prohibit sales, distribution, and other means by which the state taxes marijuana related businesses. This means the City is not eligible to receive marijuana related revenue from the state.

The City continues to provide cost-effective services through outsourcing and inter-governmental agreements. Currently, the City contracts services to manage the wastewater treatment plant and collection system, perform road maintenance, law enforcement services, building, planning, floodplain management, information technology and radio management.

REQUEST FOR INFORMATION

The City’s financial statements are designed to present users with a general overview of the City’s finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to City Hall at 22451 Highway 62, PO Box 1210, Shady Cove, Oregon 97539. The City’s telephone number is 541-878-2225.



| BASIC FINANCIAL STATEMENTS



**GOVERNMENT-WIDE FINANCIAL
STATEMENTS**

**CITY OF SHADY COVE
STATEMENT OF NET POSITION
JUNE 30, 2023**

	<u>Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:	
ASSETS:	
Cash and investments	\$ 3,089,369
Receivables, net	177,460
Restricted cash and investments	98,847
Prepaid	759
RVSS receivable	1,625,000
Capital assets not being depreciated	149,503
Capital assets being depreciated, net	<u>1,003,472</u>
TOTAL ASSETS	<u>6,144,410</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred amounts related to pensions	<u>95,932</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>95,932</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>6,240,342</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:	
LIABILITIES:	
Accounts payable	194,851
Payroll taxes and benefits payable	11,472
Unearned revenue	697,028
Accrued compensated absences	11,278
Net pension liability	208,523
Long-term liabilities:	
Due within one year	71,005
Due in more than one year	<u>1,564,058</u>
TOTAL LIABILITIES	<u>2,758,215</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred amounts related to pensions	<u>153,222</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>153,222</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>2,911,437</u>
NET POSITION:	
Net investment in capital assets	1,142,912
Restricted	
Debt service	98,847
Street maintenance	594,730
System development	414,740
Unrestricted	<u>1,077,676</u>
TOTAL NET POSITION	<u><u>\$ 3,328,905</u></u>

**CITY OF SHADY COVE
STATEMENT OF ACTIVITES
YEAR ENDED JUNE 30, 2023**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Fines, Fees, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 726,686	\$ 676,818	\$ 61,823	\$ 100,000	\$ 111,955
Public safety	565,976	406,403	-	-	(159,573)
Highways and street	98,642	-	-	242,331	143,689
Parks and recreation	16,160	-	-	-	(16,160)
Interest on long-term debt	57,948	-	-	-	(57,948)
Total government activities	\$ 1,465,412	\$ 1,083,221	\$ 61,823	\$ 342,331	21,963
General revenues:					
					173,621
					132,192
					55,716
					2,048
					<u>363,577</u>
					Change in Net Position
					385,540
					<u>NET POSITION, BEGINNING OF YEAR, AS RESTATED</u>
					2,943,365
					<u>NET POSITION, END OF YEAR</u>
					<u>\$ 3,328,905</u>



FUND FINANCIAL STATEMENTS

**CITY OF SHADY COVE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023**

	<u>General Fund</u>	<u>Street Fund</u>	<u>Systems Development Charges Fund</u>	<u>Total</u>
ASSETS:				
Cash and investments	\$ 2,137,119	\$ 537,510	\$ 414,740	\$ 3,089,369
Receivables - net	120,185	57,275	-	177,460
Restricted cash and investments	98,847	-	-	98,847
Prepays	759	-	-	759
RVSS receivable	1,625,000	-	-	1,625,000
TOTAL ASSETS	<u>\$ 3,981,910</u>	<u>\$ 594,785</u>	<u>\$ 414,740</u>	<u>\$ 4,991,435</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable	194,796	55	-	194,851
Payroll taxes and benefits payable	11,472	-	-	11,472
Unearned revenue	697,028	-	-	697,028
TOTAL LIABILITIES	<u>903,296</u>	<u>55</u>	<u>-</u>	<u>903,351</u>
DEFERRED INFLOWS OF RESOURCES :				
Unavailable revenue - property taxes	6,278	-	-	6,278
Unavailable revenue - RVSS receivable	1,625,000	-	-	1,625,000
TOTAL DEFERRED INFLOW OF RESOURCES	<u>1,631,278</u>	<u>-</u>	<u>-</u>	<u>1,631,278</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>2,534,574</u>	<u>55</u>	<u>-</u>	<u>2,534,629</u>
FUND BALANCES:				
Nonspendable	759	-	-	759
Committed	150,000	-	-	150,000
Restricted				
Debt service	98,847	-	-	98,847
Street maintenance	-	594,730	-	594,730
System development	-	-	414,740	414,740
Unassigned	1,197,730	-	-	1,197,730
TOTAL FUND BALANCES	<u>1,447,336</u>	<u>594,730</u>	<u>414,740</u>	<u>2,456,806</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 3,981,910</u>	<u>\$ 594,785</u>	<u>\$ 414,740</u>	<u>\$ 4,991,435</u>

**CITY OF SHADY COVE
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2023**

TOTAL FUND BALANCES		\$ 2,456,806
<p>Amounts reported by governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets are not financial resources and therefore are not reported in the governmental funds:</p>		
Cost	2,202,831	
Accumulated depreciation	<u>(1,049,856)</u>	1,152,975
<p>The net deferred outflow/(inflow) associated with the City's pension is not recorded in the governmental funds as it is not available nor payable currently.</p>		
		(57,290)
<p>A portion of the City's property taxes are collected after year-end but are not available soon enough to pay for the current year's operations, and therefore are not reported as revenue in the governmental funds.</p>		
		6,278
<p>The City has an agreement for a receivable with Rogue Valley Sewer Services that is not available to pay for the current year's operations, and therefore is not reported as revenue in the governmental funds.</p>		
		1,625,000
<p>Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather recognized as an expenditure when due. These liabilities consist of:</p>		
Accrued compensated absences	(11,278)	
Long term debt	(1,635,063)	
Net pension liability	<u>(208,523)</u>	<u>(1,854,864)</u>
TOTAL NET POSITION		<u><u>\$ 3,328,905</u></u>

CITY OF SHADY COVE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	<u>General Fund</u>	<u>Street Fund</u>	<u>Systems Development Charges Fund</u>	<u>Total</u>
REVENUES:				
Property taxes	\$ 173,142	\$ -	\$ -	\$ 173,142
State and local taxes	132,717	242,331	-	375,048
Franchise taxes	364,286	-	-	364,286
City fees	46,245	-	-	46,245
Public safety	406,403	-	-	406,403
Floodplain permit fee	2,100	-	-	2,100
Grants	61,823	-	100,000	161,823
System development charges	-	-	84,500	84,500
Miscellaneous	4,129	-	-	4,129
Payments from RVSS	123,994	-	-	123,994
Earning on investments	39,932	8,324	7,460	55,716
TOTAL REVENUES	<u>1,404,771</u>	<u>250,655</u>	<u>191,960</u>	<u>1,847,386</u>
EXPENDITURES:				
Current:				
Administrative	845,118	-	-	845,118
Public safety	565,976	-	-	565,976
Highways and streets	-	93,642	-	93,642
Culture and recreation	3,436	-	-	3,436
Debt service	123,993	-	-	123,993
Capital outlay	-	5,000	185,224	190,224
TOTAL EXPENDITURES	<u>1,538,523</u>	<u>98,642</u>	<u>185,224</u>	<u>1,822,389</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(133,752)</u>	<u>152,013</u>	<u>6,736</u>	<u>24,997</u>
NET CHANGE IN FUND BALANCE	(133,752)	152,013	6,736	24,997
FUND BALANCE, BEGINNING OF YEAR, RESTATED	<u>1,581,088</u>	<u>442,717</u>	<u>408,004</u>	<u>2,431,809</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,447,336</u>	<u>\$ 594,730</u>	<u>\$ 414,740</u>	<u>\$ 2,456,806</u>

**CITY OF SHADY COVE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

NET CHANGE IN FUND BALANCE	\$	24,997
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Government funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. This is the amount by which capital outlays exceeded depreciation/amortization in the current period:</p>		
Expenditures for capital assets	387,706	
Less current year depreciation	<u>(90,766)</u>	296,940
<p>Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expenses.</p>		
		(6,584)
<p>Compensated absences are recognized as an expenditure in the governmental funds when they are paid. In the Statement of Activities compensated absences are recognized as an expenditure when earned.</p>		
		3,663
<p>Long-term debt proceeds are reported as other financing sources in governmental funds. In the Statement of Net Assets, however, issuing long-term debt increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets. This is the amount of repayments:</p>		
Loans principal paid	65,000	
Bond premium	<u>1,045</u>	66,045
<p>Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Activities property taxes are recognized as revenue when levied.</p>		
		<u>479</u>
CHANGE IN NET POSITION	\$	<u>385,540</u>

**CITY OF SHADY COVE
STATEMENT OF NET POSITION
FIDUCIARY FUND
JUNE 30, 2023**

	RVSS Custodial Fund
ASSETS:	
Cash and investments	\$ 77,911
Receivables - sewer billings	147,174
TOTAL ASSETS	225,085
LIABILITIES	
Payable to RVSS	225,085
TOTAL LIABILITIES	\$ 225,085

**CITY OF SHADY COVE
STATEMENT OF CHANGE IN NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2023**

	<u>RVSS Custodial Fund</u>
ADDITIONS:	
Billing collections on behalf of RVSS	\$ 875,403
TOTAL ADDITIONS	<u>875,403</u>
DEDUCTIONS:	
Distributions to RVSS	<u>875,403</u>
TOTAL DEDUCTIONS	<u>875,403</u>
CHANGE IN NET POSITION	-
NET POSITION, BEGINNING OF YEAR	<u>-</u>
NET POSITION, END OF YEAR	<u><u>\$ -</u></u>



| **NOTES TO BASIC FINANCIAL
STATEMENTS**

CITY OF SHADY COVE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The accompanying financial statements are the presentation of the City of Shady Cove, Oregon (the City). The City of Shady Cove is a municipal corporation governed by a Council comprised of four members and a Mayor, who are elected at large. Council members, two of whom are chosen in alternate biennial years, serve terms of four years. The Mayor is elected to serve a term of two years. All other officers of the City are appointed by majority vote of the Council. The administration of day to day city affairs (including human resource management) is the responsibility of the City Administrator who is appointed by and serves under the supervision of the City Council. The City provides the following services as authorized by its charter: police (contract with Jackson County Sheriff's Office), parks, building and planning, and public works (streets, storm drainage/facilities maintenance).

The financial statements of the City of Shady Cove, Oregon 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 City's accounting policies are described below.

The Financial Reporting Entity

As required by GAAP, the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable or a legally separate organization that raises and holds economic resources for the direct benefit of the primary government. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. For financial reporting purposes the City is classified as a primary government and there are no outside organizations or governmental units that are considered to be component units under criteria set forth in GAAP.

Financial Statement Presentation, Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities report information on all activities of the primary government. Governmental activities are supported by taxes and intergovernmental revenues.

The Statement of Activities presents the direct expenses of a given function/program and the related program revenues categorized into fines, fee, and charges for services, operating grants and contributions, and capital grants and contributions. Direct expenses are those that are clearly identifiable with a specific function or program. Indirect expenses are those costs, usually administrative in nature, that support all City functions and enable direct services to be provided. Program revenues include 1) fees, fines and charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, investment income and other items not included among program revenues are reported as general revenues.

CITY OF SHADY COVE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements (continued)

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 timing of related cash flows. Exchange transactions are recognized when the exchange takes place. Nonexchange transactions are recognized in accordance with the nature of the nonexchange transaction. 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. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

Governmental Funds

The governmental fund financial statements are presented on a modified accrual basis of accounting with a current financial resources measurement focus whereby only current assets (deferred outflows) and current liabilities (deferred inflows) generally are included in the Balance Sheet, and the Statement of Revenues, Expenditures and Changes in Fund Balance present increases and decreases in those current net fund balances. Governmental funds use the modified accrual basis of accounting where revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount can be determined and “available” means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due..

Intergovernmental revenues are recognized when all eligibility requirements are met. Eligibility requirements for intergovernmental revenues received on a reimbursement basis (i.e. where monies must be expended on specific projects or for a specific purpose before any amounts are paid to the City) are determined to be met when the underlying expenditures are recorded. Eligibility requirements for intergovernmental revenues, which are unrestricted as to purpose of the expenditure and are usually revocable only for failure to comply with prescribed requirements, are considered to be met at the time of receipt or when susceptible to accrual.

Property taxes and citations are reflected as revenues in the fiscal period for which they were levied, provided they are due, or past due, and receivable within the current period, and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days). Otherwise, they are reported as a deferred inflow of resources (unavailable revenue).

Licenses and permits and miscellaneous revenues that are associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Investment earnings are recorded as earned since they are measurable and available. All other revenues are considered to be measurable and available only when cash is received by the City.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliation is provided to explain the differences between the governmental fund statements and the governmental column of the government-wide presentation. This reconciliation is part of the financial statements.

There are stated minimum criteria for the determination of major funds: percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category, or the governmental funds combined. In addition, standards permit the presentation of major funds based on management judgement.

**CITY OF SHADY COVE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following are the City's major governmental funds:

- *General Fund* – This fund accounts for all financial resources and expenditures of the City, except those required to be accounted for in another fund. The principal revenue source is property taxes.
- *Street Fund* – This special revenue fund accounts for the City's share of State of Oregon gasoline taxes. The state gasoline taxes are restricted for expenditures under Article XI, Section 3 of the Oregon Constitution for construction, maintenance and repair of streets, roads and bike and foot paths.
- *System Development Charges Fund* – This fund is responsible for collection of system development charges and related capital improvements.

Additionally, the City reports the following fund type:

- *Fiduciary Fund* – The Rogue Valley Sewer Services (RVSS) fiduciary fund is used to account for sewer billings collected on behalf of RVSS and held by the City in a fiduciary capacity. On July 1, 2019, RVSS annexed the wastewater infrastructure of the City and took over wastewater operations. Disbursements from this fund are made in accordance with the annexation agreement.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition on net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Additionally, the City has one type of deferred inflows which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet.

Use of Estimates

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

Cash and Investments

The City's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less. Short-term investments are stated at cost which approximates fair value.

The City's investments, authorized under state statute, consist of the State of Oregon Treasurer's Local Government Investment Pool (LGIP). The LGIP is stated at cost which approximates fair value. Fair value of the LGIP is the same as the City's value in the pool shares.

CITY OF SHADY COVE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Investments (continued)

The Oregon State Treasury administers the LGIP. It is an open-ended no-load 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. The purpose of the Board is to advise the Oregon State Treasury in the management and investment options of the LGIP. The investments are regulated by the Oregon Short Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). Earnings on pooled cash and investments are credited to each fund monthly based on the average daily balance of each participating fund.

Pooled cash and investments has the general characteristics of a demand deposit account in that any participating fund may deposit additional cash at any time and may also withdraw cash at any time without prior notice or penalty.

Property Taxes Receivable

Recorded property taxes receivable that are collected within 60 days after year-end are considered measurable and available and, therefore, are recognized as revenue. The remaining balance is recorded as a deferred inflow of resource because it is not deemed available to finance operations of the current period. An allowance for doubtful accounts is not deemed necessary, as uncollectible taxes become a lien on the property through the County.

Property taxes are levied as of July 1 on property assessed as of January 1. The tax levy is due November 15, with an optional payment method of 1/3 due November, 1/3 due February 15, and 1/3 due May 15. Taxes paid in full November 15 are provided a 3% discount. The billings are considered delinquent after the appropriate due date, at which time the applicable property is subject to lien, and penalties and interest are assessed.

Accounts and Other Receivables

Receivables for federal and state grants, and state, county and local shared revenue and interest earned, included in accounts and grants receivable, are recorded as revenue as earned. No allowance for doubtful accounts is considered necessary for accounts receivable. The City submits tax certifications to the County on properties if collections are not made timely, making the risk of collectability unlikely.

Restricted receivables, like restricted cash, are the result of enabling legislation that imposes legally enforceable limits on how property taxes and certain system development charges may be used.

Capital Assets

Capital assets are stated at historical cost, or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the fair market value of such assets at the date of donation. As permitted by GASB Statement No. 34, the City has limited the capitalization of infrastructure to only those which were constructed or acquired after July 1, 2003, with the exception of infrastructure related directly to long-term debt. Capital assets include land, right-of-ways, buildings, improvements, infrastructure and equipment costing over \$5,000 with an estimated life greater than one year. Infrastructure assets include streets, sidewalks, streetlights, sewer pipeline, etc. Maintenance and repairs that do not add to the value of the assets or extend the assets' lives are charged to expenditures as incurred and are not capitalized.

Depreciation is computed using the straight-line method over the estimated useful lives of the related capital assets, except for land, construction in progress and right-of ways which are considered inexhaustible in nature, and are not depreciated.

CITY OF SHADY COVE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (continued)

The estimated useful lives of the various categories of assets are as follows:

Buildings and improvements	5 to 50 years
SDC Improvements	Up to 20 years
Machinery and equipment	5 to 40 years
Infrastructure	5 to 50 years

Upon disposal of capital assets, the accounts are relieved of the related historical costs and accumulated depreciation and, if appropriate, resulting gains or losses are recognized.

Compensated Absences

A liability for vacation pay is recorded in the Statement of Net Position when vested or earned by employees. Vacation pay is accrued as an expenditure in the governmental fund financial statements when the amounts are expected to be liquidated with expendable available resources. Sick leave pay does not vest and is recorded as leave when taken.

Long-term Debt

Long-term debt is reported as a liability in the Statement of Net Position and proprietary fund financial statements. Any related bond discounts and premiums are deferred and amortized as interest expense over the life of the bonds. Bonds payable are reported net of applicable bond premium or discount in the Statement of Net Position and proprietary fund financial statements. Bond issuance costs are recognized as an expense in the period incurred.

In the governmental fund financial statements, the bond discounts, premiums and issuance costs are recognized when incurred and not deferred. The face amount of the debt issued and premiums received are reported as other financing sources while discounts are reported as other financing uses. Bond issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures in the governmental fund financial statements.

Pension

Substantially all of the City's employees are participants in the State of Oregon Public Employees Retirement System (OPERS). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payment (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Post-employment Health Benefits

Additionally, the City offers eligible employees who elect early retirement payment of group medical insurance premiums. The City also allows eligible retirees to purchase health insurance at the same rate as active employees. Such costs are recorded as expenses in the General Fund and funded as premiums become due. No liability has been recorded as the City has not obtained an actuarial valuation for the present value of the projected future benefits for retired and active employees.

CITY OF SHADY COVE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

In the government-wide financial statements, equity is classified as net position and displayed in three components:

- *Net investment in capital assets* – All capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted net position* – Assets with external constraints placed on their use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted net position* – All other net position.

In the fund financial statements, governmental fund equity is classified in the following categories:

- *Non-Spendable* - Includes items not immediately converted to cash, such as prepaid items.
- *Restricted* – Includes items that are restricted by external creditors, grantors, or contributors, or restricted by legal constitutional provisions.
- *Committed* – Includes items committed by the City Council through resolution or ordinance. Similarly, a resolution or ordinance is required to modify or rescind the commitment.
- *Assigned* – Includes items assigned for specific purposes, authorized by the City Administrator.
- *Unassigned* – This is the residual classification used for those balances not included in another category.

It is the City's policy to first use restricted net position prior to the use of unrestricted net position when an expenditure is incurred for purposes for which both restricted and unrestricted net position is available.

Adoption of New GASB Pronouncements

During the fiscal year ended June 30, 2023, the City implemented the following GASB Pronouncements:

GASB Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. There is no effect on the City's financial statements as a result of this Statement.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement's objective is to address accounting and financial reporting for arrangements in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a capital asset for a period of time in an exchange or exchange-like transaction. There is no effect on the City's financial statements as a result of this Statement.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement's objective is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. There is no effect on the City's financial statements as a result of this Statement.

**CITY OF SHADY COVE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Future Adoption of GASB Pronouncements

The following GASB pronouncements have been issued, but are not effective as of June 30, 2023:

GASB Statement No. 100, *Accounting Changes and Error Corrections*. This Statement clarifies the presentation and disclosures requirements for prior period adjustments to beginning net position. This Statement will be effective for the City for fiscal year ending June 30, 2024.

GASB Statement No. 101, *Compensated Absences*. Issued in June 2022, this Statement updates recognition and measurement guidelines for compensated absences. This Statement will be effective for the City for fiscal year ending June 30, 2025.

GASB Statement No. 102, *Certain Risk Disclosures*. This standard requires governments to disclose essential information about risks related to vulnerabilities due to certain concentrations or constraints. This Statement will be effective for the City for fiscal year ending June 30, 2025.

GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement also addresses certain application issues. This Statement will be effective for the City for fiscal year ending June 30, 2026.

GASB Statement No. 104, *Disclosure of Certain Assets*. This standard requires certain types of capital assets to be disclosed separately in the capital assets note disclosures, requires certain intangible assets to be disclosed separately by major class, and requires additional disclosures for capital assets held for sale. This Statement also addresses certain application issues. This Statement will be effective for the City for fiscal year ending June 30, 2026.

The City will implement new GASB pronouncements no later than the required effective date. The City is currently evaluating whether or not the above listed new GASB pronouncements will have a significant impact to the City’s financial statements.

NOTE 2 – RESTATEMENT OF BEGINNING NET POSITION

During the fiscal year ended June 30, 2023 the City identified multiple errors within the beginning fund balance. The effect of these adjusting entries on the beginning fund balance of the funds are as follows:

	<u>General Fund</u>	<u>Street Fund</u>	<u>System Development Fund</u>
Beginning fund balance	\$ 1,415,795	\$ 424,733	\$ 417,780
Correction of accruals	165,293	17,984	(9,776)
Beginning fund balance, as restated	<u>\$ 1,581,088</u>	<u>\$ 442,717</u>	<u>\$ 408,004</u>

In addition, errors were noted within Governmental Activities beginning net position. The effect of these adjusting entries on beginning net position is as follows:

	<u>Governmental Activities</u>
Beginning net position	\$ 1,183,745
Correction of accruals	88,946
Fixed assets	(19,326)
Deferred revenue RVSS	1,690,000
Beginning net position, as restated	<u>\$ 2,943,365</u>

**CITY OF SHADY COVE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3 – APPROPRIATION AND BUDGETARY CONTROLS

The City is subject to provisions of the Oregon Revised Statutes which set forth local budget procedures. A resolution authorizing appropriation for each fund sets the level by which expenditures cannot legally exceed appropriations. Appropriations are established by organizational unit in the General Fund, and by program in other funds.

The City Council may, however, approve additional appropriations for necessary expenditures which could not be reasonably estimated at the time the budget was adopted. Additionally, budgets may be modified during the fiscal year by the use of appropriation transfers between legal categories or appropriation transfers from one fund to another. Such transfers must be authorized by official resolution or ordinance of the City Council. The resolution or ordinance must state the need for the transfer, the purpose of the authorized expenditures and the amount of the appropriation transferred.

Transfers of contingency appropriations which in aggregate during a fiscal year exceed 15% of the total appropriations of the fund may only be made after adoption of a supplemental budget prepared for that purpose. A supplemental budget less than 10% of the fund's original budget may be adopted at a regular meeting of the governing body. A supplemental budget greater than 10% of the fund's original budget requires public hearings, publication in newspapers and approval by the Council. Budget amounts shown in the financial statements include the original budget, supplemental budgets, and budget transfers. All appropriations terminate on June 30. Original and supplemental budgets may be modified by the use of appropriation transfers between levels of control. Such transfers require approval by passing a Council resolution authorizing the transfer. All budget amendments are subject to the limitations put forth in the Oregon Revised Statutes Chapters 294.305 through 394.565 (Oregon Budget Law).

During the fiscal year ended June 30, 2023, the City was in compliance with Local Budget Law, except as follows:

1. We could not verify that the Fiscal Year 24 budget hearing and budget committee meetings were properly published.
2. We could not verify that budget officials were appointed or elected for Fiscal Year 24.
3. We could not verify that the Fiscal Year 24 budget contained a budget message.
4. The budget document for Fiscal Year 24 did not contain actual expenditures for the two fiscal years preceding the current year or two budget periods preceding the current budget period
5. The City was unable to provide a final adopted budget for Fiscal Year 24, therefore we were unable to verify that:
 - a. Resources equaled requirements.
 - b. Transfers out equaled transfers in.
 - c. Changes, if made after public hearing of budget, increased estimated expenditures of any fund more than 10 percent or \$5,000, whichever is greater, of published estimates.
6. We could not verify that transfers made between appropriations within funds for Fiscal Year 23 were made by resolution as the City was not able to provide all resolutions and many resolutions provided were not signed.
7. We noted one instance during our testing where revenue from taxes on motor vehicle use and fuel were not used for an allowable cost.
8. The City did not file the required audit report with the Secretary of State in a timely manner as required by OAR 162-010-0330 and was not granted approval for an extension of time to file.

Additionally, the City exceeded its appropriation authority in the following categories:

Street Fund		
Capital outlay	\$	800
General Fund		
Public safety	\$	14,976

CITY OF SHADY COVE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 – CASH AND CASH INVESTMENTS

Deposits

The Governmental Accounting Standards Boards has adopted accounting principles generally accepted in the United States of America (GAAP), which include standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the City at June 30, 2023. If bank deposits at year end are not entirely insured or collateralized with securities held by the City or by its agent in the City's name, the City must disclose the custodial credit risk that exists.

Deposits with financial institutions are comprised of bank demand deposits. For deposits in excess of federal depository insurance (currently limited to balances of \$250,000), Oregon Revised Statue 295 requires a multiple financial institution collateral pool and eliminated Certificates of Participation. As a result, all balances over the \$250,000 FDIC limit are collateralized. As of June 30, 2023, the City's deposits of \$1,136,711 were not covered by the federal depository insurance. As required by Oregon Revised Statutes, Chapter 295, deposits in excess of insurance limits were held at qualified depositories for public funds.

Effective July 1, 2008, House Bill 2901 created a shared liability structure for participating bank depositories in Oregon. Barring any exceptions, a qualifying 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 the quarter-end public fund deposits if they are adequately capitalized, or 110% of the quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public bank depositories is available to repay the deposits of public funds of governmental entities.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk.

All qualified depositories for public funds are included in the multiple financial institution collateral pool that is maintained by and in the name of the Office of the State Treasurer. As a result, the District has no exposure to custodial credit risk for deposits with financial institutions.

Investments

State of Oregon statutes restrict the types of investments in which the City may invest. Authorized investments include obligations of the United States Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, time certificates of deposit, certain commercial paper, and the State of Oregon Treasurer's Local Government Investment Pool.

The City has invested funds in the State Treasurer's Oregon Short-term Fund Local Government Investment Pool during fiscal year 2022-2023. Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board. Investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool.

**CITY OF SHADY COVE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 4 – CASH AND CASH INVESTMENTS (CONTINUED)

Investments (continued)

In addition, the Oregon State Treasury LGIP distributes investment income on an amortized cost basis and participants' equity in the pool is determined by the amount of participant deposits, adjusted for withdrawals and distributed income. Accordingly, the adjustment to fair value would not represent an expendable increase in the City's cash position.

As of June 30, 2023 and for the year then ended, the City was in compliance with the aforementioned State of Oregon statutes.

Credit Risk. 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, banker's acceptances, certain commercial papers, and the State Treasurer's Investment Pool, among others. The City has no formal investment policy that further restricts its investment choices.

Concentration of Credit Risk. The City is required to provide information about the concentration of credit risk associated with its investments in one issuer that represents 5 percent or more of the total investments, excluding investments in external investment pools or those issued and explicitly guaranteed by the U.S. Government. The City has no such investments.

Interest Rate Risk. The City has no formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

Disclosures about Fair Value of Assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 - Unadjusted inputs using quoted prices in active markets for identical investments.

Level 2 - Other significant observable inputs other than level 1 prices, including, but are not limited to, quoted prices for similar investments, inputs other than quoted prices that are observable for investments (such as interest rates, prepayment speeds, credit risk, etc.) or other market corroborated inputs.

Level 3 - Significant inputs based on the best information available in the circumstances, to the extent observable inputs are not available.

Investments Measured at Fair Value:	Totals	Level One	Level Two	Level Three	Amortized Cost Measurement Not Measured at Fair Value
LGIP	\$ 1,883,622	\$ -	\$ -	\$ -	\$ 1,883,622
	<u>\$ 1,883,622</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,883,622</u>

**CITY OF SHADY COVE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 4 – CASH AND CASH INVESTMENTS (CONTINUED)

Investments (continued)

A reconciliation of cash and investments as shown on the Statement of Net Position is as follows:

Carrying amounts of cash and investments:

Petty Cash	\$	1,080
Demand Deposits		1,381,425
Investment - LGIP		1,883,622
		1,883,622
	\$	3,266,127

Cash and investments are reflected on the basic financial statements as follows:

	Governmental Activities	Fiduciary Activities
Cash and Investments	\$ 3,089,369	\$ 77,911
Restricted Cash	98,847	-
Total Cash and Investments	\$ 3,188,216	\$ 77,911

Restricted cash represents amounts set aside for next sewer bond payment in accordance with annexation agreement with Rogue Valley Sewer Services.

NOTE 5 - RECEIVABLES

Receivables are comprised of the following as of June 30, 2023:

		Governmental Activities
Accounts receivable	\$	169,367
Property taxes receivable		8,093
RVSS receivable		1,625,000
Custodial fund		147,174
Total	\$	1,949,634
Amount not expected to be collected within one year	\$	1,555,000

CITY OF SHADY COVE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 – CAPITAL ASSETS

The changes in capital assets for the year ended June 30, 2023, are as follows:

Governmental Activities	Balance July 1, 2022	Additions	Disposals	Balance June 30, 2023
Capital assets not being depreciated:				
Land	\$ 34,542	\$ 114,961	\$ -	\$ 149,503
Total capital assets not being depreciated	<u>34,542</u>	<u>114,961</u>	<u>-</u>	<u>149,503</u>
Capital assets being depreciated:				
Buildings and improvements	343,278	85,039	-	428,317
Machinery and equipment	79,799	-	-	79,799
Infrastructure	1,357,506	187,706	-	1,545,212
Total capital assets being depreciated	<u>1,780,583</u>	<u>272,745</u>	<u>-</u>	<u>2,053,328</u>
Less accumulated depreciation for:				
Buildings and improvements	(294,408)	(11,707)	-	(306,115)
Machinery and equipment	(77,099)	(1,800)	-	(78,899)
Infrastructure	(587,583)	(77,259)	-	(664,842)
Total accumulated depreciation	<u>(959,090)</u>	<u>(90,766)</u>	<u>-</u>	<u>(1,049,856)</u>
Total capital assets being depreciated, net	<u>821,493</u>	<u>181,979</u>	<u>-</u>	<u>1,003,472</u>
Total capital assets, governmental activities, net	<u>\$ 856,035</u>	<u>\$ 296,940</u>	<u>\$ -</u>	<u>\$ 1,152,975</u>

Depreciation expense for the year of \$90,766 was charged to general government in the Statement of Activities.

NOTE 7 – DEFERRED INFLOWS OF RESOURCES AND UNEARNED RESOURCES

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. In addition, governmental funds report unearned revenues in connection with resources that have been received but not yet earned. At June 30, 2023, the components of deferred inflows of resources and unearned revenues included in the City's financial statements consist of the following:

<u>Type/Fund</u>	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes, General Fund	\$ 6,278	\$ -	\$ 6,278
RVSS receivable, General Fund	1,625,000	-	1,625,000
American Rescue Plan Act (ARPA) grant, General Fund	-	677,423	677,423
Advanced billings, General Fund	-	19,605	19,605
	<u>\$1,631,278</u>	<u>\$ 697,028</u>	<u>\$2,328,306</u>

**CITY OF SHADY COVE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 – LONG-TERM DEBT

Sewer Bond

On March 30, 2018, the City issued \$1,930,000 in bonds to refinance existing debt for wastewater construction and improvements. Under the Financing Agreement, the Series 2017 Obligations are secured by, and payable, from the City's general non-restricted revenues and other funds that may be available. Annual payments range between \$124,044 and \$129,138 (except first and last payment), including principal and interest, are due semi-annually on January and July 1st each year through January 1, 2041. The coupon rate for the bond ranges between 3.00% and 4.00%. The bond was issued at a premium of \$15,669. The premium represents interest paid in advance to the City by the bond holders who then receive a return of this premium in the form of larger periodic interest payments. The bond premium will be amortized using the effective interest method. The agreement contains a provision that in an event of default, the Trustee may exercise any remedy available at law or in equity; however, the payments are not subject to acceleration. The obligation to pay the financing payments is a full faith credit obligation of the City.

Under the annexation agreement with Rogue Valley Sewer Services, the City continues to hold the bond, and Rogue Valley Sewer Services will pay to the City a sum equal to the amount of the debt service principal and interest payments due. Each payment will be made to the City a minimum of 30 days in advance of the payment due date. As a result, the City has recorded a receivable that is equal to the long-term debt, excluding bond premium. In addition, the City retains one year of principal and interest payments on hand as noted under restricted cash in Note 4.

During the fiscal year ended June 30, 2023, the following long-term debt transactions occurred:

<u>Governmental activities:</u>	<u>Balance July 1, 2022 as restated</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2023</u>	<u>Due within one year</u>
Sewer Bond (direct borrowing)	\$ 1,690,000	\$ -	\$ (65,000)	\$ 1,625,000	\$ 70,000
Unamortized premium/(discount)	11,108	-	(1,045)	10,063	1,005
Total long-term debt	<u>\$ 1,701,108</u>	<u>\$ -</u>	<u>\$ (66,045)</u>	<u>\$ 1,635,063</u>	<u>\$ 71,005</u>

Annual debt service requirements associated with the Sewer Bond are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Premium</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 70,000	\$ 1,005	\$ 57,694	\$ 128,699
2025	70,000	962	54,894	125,856
2026	75,000	918	52,094	128,012
2027	80,000	872	49,094	129,966
2028	80,000	823	45,894	126,717
2029-2033	445,000	3,331	172,688	621,019
2034-2038	530,000	1,858	107,488	639,346
2039-2041	275,000	294	17,219	292,513
	<u>\$ 1,625,000</u>	<u>\$ 10,063</u>	<u>\$ 557,065</u>	<u>\$ 2,192,128</u>

**CITY OF SHADY COVE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 – ACCRUED COMPENSATED ABSENCES

At June 30, 2023, the outstanding balance is comprised of accrued vacation. Changes in accrued compensated absences for the year ended June 30, 2023, are as follows:

	Accrued June 30, 2022 As Restated	Earned	Used	Accrued June 30, 2023
Government Activities	\$ 14,941	\$ 18,801	\$ (22,464)	\$ 11,278

NOTE 10 – DEFINED PENSION BENEFIT PLAN

OPERS Plan

Plan Description - Employees are provided pensions as participants under one or more plans currently available through Oregon Public Employees Retirement System (OPERS), a cost-sharing multiple-employer defined benefit plan in accordance with Oregon Revised Statutes Chapter 238, Chapter 238A, and Internal Revenue Service Code Section 401(a).

There are currently two programs within OPERS, with eligibility determined by the date of employment. Those employed prior to August 29, 2003 are OPERS Program members, and benefits are provided based on whether a member qualifies for Tier One or Tier Two described below. Those employed on or after August 29, 2003 are Oregon Public Service Retirement Plan (OPSRP) Program members. OPSRP is a hybrid retirement plan with two components: 1) the Pension Program (defined benefit; established and maintained as a tax-qualified governmental defined benefit plan), and 2) the Individual Account Program (IAP) (defined contribution; established and maintained as a tax-qualified governmental defined contribution plan).

The 1995 Legislature enacted Chapter 654, Section 3, Oregon Laws 1995, which was codified into ORS 238.435. This legislature created a second tier of benefits for those who established membership on or after January 1, 1996. The second tier does not have the Tier One assumed earnings rate guarantee and has a higher normal retirement age of 60, compared to age 58 for Tier One. The 2003 Legislature enacted House Bill 2021, codified as ORS 238A, which created the Oregon Public Service Retirement Plan (OPSRP). OPSRP consists of the Pension Program and the Individual Account Program. Membership includes public employees hired on or after August 29, 2003.

Beginning January 1, 2004, OPERS active Tier 1 and Tier 2 members became members of the Individual Account Program (IAP) of OPSRP. OPERS plan member contributions (the employee contribution, whether made by the employee or "picked-up" by the employer) go into the IAP portion of OPSRP. OPERS plan members retain their existing OPERS accounts; however, member contributions after January 1, 2004 are deposited in the member's IAP, not into the member's OPERS account.

Tier One/Tier Two Retirement Benefit (Chapter 238)

Pension Benefits - The OPERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options that are actuarially equivalent to the base benefit. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.00 percent for Police and Fire employees and 1.67 percent for General Service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results. Monthly payments must be a minimum of \$200 per month or the member will receive a lump-sum payment of the actuarial equivalent of benefits to which he or she is entitled.

**CITY OF SHADY COVE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 – DEFINED PENSION BENEFIT PLAN (CONTINUED)

Tier One/Tier Two Retirement Benefit (Chapter 238) (continued)

Under Senate Bill 1049, passed during 2019 legislative session, the salary included in the determination of final average salary will be limited for all members beginning in 2021. The limit will be equal to \$210,582 as of January 1, 2022, and is indexed with inflation every year.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for Police and Fire members). General Service employees may retire after reaching age 55. Police and Fire members are eligible after reaching age 50. Tier One General Service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and Fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan was closed to new members hired on or after August 29, 2003.

Death Benefits - Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- Member was employed by an OPERS employer at the time of death,
- Member died within 120 days after termination of OPERS-covered employment,
- Member died as a result of injury sustained while employed in an OPERS-covered job, or
- Member was on an official leave of absence from an OPERS-covered job at the time of death.

Disability Benefits - A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member for disability benefits regardless of the length of OPERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

Benefit Changes After Retirement - Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of the underlying global equity investments of that account.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes (COLA). The COLA is capped at 2.0 percent.

**CITY OF SHADY COVE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 – DEFINED PENSION BENEFIT PLAN (CONTINUED)

OPSRP Pension Program (Chapter 238A)

Pension Benefits - The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

General Service - 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for General Service members is age 65, or age 58 with 30 years of retirement credit.

Police and Fire - 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for a police and fire member is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

Under Senate Bill 1049, passed during 2019 legislative session, the salary included in the determination of final average salary will be limited for all members beginning in 2021. The limit was equal to \$210,582 as of January 1, 2022 and is indexed with inflation each year.

A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

Death Benefits - Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse receives for life 50 percent of the pension that would otherwise have been paid to the deceased member. The surviving spouse or other person may elect to delay payment of the death benefit, but payment must commence no later than December 31 of the calendar year in which the member would have reached 70 ½ years.

Disability Benefits - A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit Changes After Retirement - Under ORS 238A.210, monthly benefits are adjusted annually through cost-of-living changes. The COLA is capped at 2.0 percent.

**CITY OF SHADY COVE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 – DEFINED PENSION BENEFIT PLAN (CONTINUED)

OPSRP Pension Program (Chapter 238A) (continued)

Contributions

OPERS funding policy provides for periodic member and employer contributions at rates established by the OPERS Board, subject to limits set by statute. The rates established for member and employer contributions were approved based on the recommendation of the OPERS third-party actuary.

Member Contributions – Beginning January 1, 2004, all member contributions, except for contributions by judge members, were placed in the IAP. Prior to that date, all member contributions were credited to the Defined Benefit Pension Plan. Member contributions are set by statute at 6.0 or 7.0 percent of salary and are remitted by participating employers.

Employer Contributions - OPERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the OPERS Defined Benefit Plan and OPEB plans.

Employer contributions during the period July 1, 2021 through June 30, 2023, were based on the December 31, 2019 actuarial valuation, which became effective July 1, 2022. For the period July 1, 2022 through June 30, 2023, net employer contribution rates were 9.59% for Tier 1/Tier 2 employees and 4.52% for OPSRP General Employees and 8.88% for OPSRP Police and Fire Employees. Employer contributions for the year ended June 30, 2023 were \$11,937.

Pension Plan Annual Comprehensive Financial Report (ACFR)

OPERS prepares their financial statements in accordance with generally accepted accounting principles in the United States of America as set forth in Governmental Accounting Standards Board (GASB) pronouncements that apply to governmental accounting for fiduciary funds and enterprise funds. The accrual basis of accounting is used for all funds. Contributions are recognized when due, pursuant to legal (or statutory) requirements. Benefits and withdrawals are recognized when they are currently due and payable in accordance with the terms of the plan. Investments are recognized at fair value, the amount that could be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Oregon PERS produces an independently audited ACFR which can be found at:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2022-Annual-Comprehensive-Financial-report.pdf>

Actuarial Valuation

The employer contribution rates effective July 1, 2021 through June 30, 2023, were set using the entry age normal actuarial cost method. Under this cost method, each active member's entry age present value of projected benefits is allocated over the member's service from the member's date of entry until their assumed date of exit, taking into consideration expected future compensation increases.

**CITY OF SHADY COVE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 – DEFINED PENSION BENEFIT PLAN (CONTINUED)

OPSRP Pension Program (Chapter 238A) (continued)

Actuarial Methods and Assumptions Used in Developing Total Pension Liability

Valuation date	December 31, 2020
Measurement date	June 30, 2022
Experience study	2020, published July 20, 2021
Actuarial assumptions:	
Actuarial cost method	Entry age normal
Inflation rate	2.40 percent
Long-term expected rate of return	6.90 percent
Discount rate	6.90 percent
Projected salary increases	3.40 percent
Cost of living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	<p><i>Healthy retirees and beneficiaries:</i> Pub-2010 Healthy retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p><i>Active members:</i> Pub-2010 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p><i>Disabled retirees:</i> Pub-2010 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p>

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2020 Experience Study, which reviewed experience for the four-year period ending on December 31, 2020.

Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF SHADY COVE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 – DEFINED PENSION BENEFIT PLAN (CONTINUED)

OPSRP Pension Program (Chapter 238A) (continued)

Assumed Asset Allocation

Asset Class	Target Allocation
Debt securities	20.00%
Public equity	30.00%
Private equity	20.00%
Real estate	12.50%
Real assets	7.50%
Diversifying strategies	7.50%
Risk parity	2.50%
Total	100.00%

Long-term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in June, 2021 the OPERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

The table below shows Milliman’s assumptions for each of the asset classes in which the plan was invested at the time based on the OIC long-term target asset allocation. The OIC’s description of each asset was used to map the target allocation to the asset classes shown below:

Asset Class	Target Allocation	20-Year Annualized Geometric Mean
Global equity	30.62%	5.85%
Private equity	25.50%	7.71%
Core fixed income	23.75%	2.73%
Real estate	12.25%	5.66%
Master limited partnerships	0.75%	5.71%
Infrastructure	1.50%	6.26%
Commodities	0.63%	3.10%
Hedge fund of funds - multistrategy	1.25%	5.11%
Hedge fund equity - hedge	0.63%	5.31%
Hedge fund - macro	5.62%	5.06%
US cash	-2.50%	1.76%
Total	100.00%	
Assumed inflation - mean		2.40%

*Negative allocation to cash represents levered exposure from allocation to Risk Parity strategy.

**CITY OF SHADY COVE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 – DEFINED PENSION BENEFIT PLAN (CONTINUED)

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

At June 30, 2023, the City reported a liability of \$208,523 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022 (measurement date), the City's proportion was approximately 0.00136183 percent.

For the year ended June 30, 2023, the City recognized an increase in pension expense of \$6,584. Pension expense was generated during the measurement period primarily as a result of less than anticipated investment returns at the OPERS level. The \$6,584 was treated as an decrease of payroll related expense in the Statement of Activities.

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 10,122	\$ 1,300
Changes in assumptions	32,718	299
Net difference between projected and actual earnings on investments	-	37,280
Changes in proportionate share	40,703	42,992
Differences between employer contributions and employer's proportionate share of system contributions	452	71,351
Total (prior to post-MD contributions)	<u>11,937</u>	<u>-</u>
City's contributions subsequent to the measurement date		
Total	<u>\$ 95,932</u>	<u>\$ 153,222</u>

\$11,937 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources (prior to post-measurement date contributions) related to pensions will be recognized in pension expense or (expense reduction) as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflow/(Inflow) of Resources</u>
2022	\$ (11,788)
2023	(19,667)
2024	(37,516)
2025	3,319
2026	(3,575)
Thereafter	<u>-</u>
Total	<u>\$ (69,227)</u>

**CITY OF SHADY COVE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 – DEFINED PENSION BENEFIT PLAN (CONTINUED)

Sensitivity for the City’s Proportionate Share of the Net Pension Liability to Changes in Discount Rate

The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percent lower (5.90 percent) or one percent higher (7.90 percent) than the current rate:

District’s Net Pension Asset/(Liability)	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Defined Benefit Pension	\$ 369,798	\$ 208,523	\$ 73,544

Changes in Assumptions and Methods

A summary of key changes implemented since the December 31, 2020 valuation are noted below. Additional detail and list of changes can be found in the 2020 Experience Study for the System, which can be found at:

<https://www.oregon.gov/pers/Documents/Financials/Actuarial/2022/Actuarial-Valuation-Results.pdf>

Assumption Changes

- There were no changes to actuarial assumptions since the December 31, 2020 actuarial valuation.

Actuarial Methods

- There were no changes to actuarial methods since the December 31, 2020 actuarial valuation.

Plan Changes

- There were no changes to plan provisions valued since the December 31, 2020 actuarial valuation. The provisions of Senate Bill 111 and House Bill 2906, Both enacted in June 2021, were reflected in the December 31, 2020 actuarial valuation.

Defined Contribution Plan – Individual Account Program (IAP)

Pension Benefits - Participants in OPERS defined benefit pension plans also participate in their defined contribution plan. The IAP is an individual account-based program under the OPERS tax-qualified governmental plan as defined under ORS 238A.400. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. All covered employees are required by State statute to contribute 6% of their salary to the plan. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies. This account falls under Internal Revenue Code Section 401(a).

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5, 10, 15, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

**CITY OF SHADY COVE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 – DEFINED PENSION BENEFIT PLAN (CONTINUED)

Defined Contribution Plan – Individual Account Program (IAP) (continued)

Death Benefits - Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment..

Member Contributions - Beginning January 1, 2004, all the member contributions, except for contributions by judge members, were placed in the OPSRP Individual Account Program (IAP). Prior to that date, all member contributions were credited to the Defined Benefit Pension Plan. Member contributions are set by statute at 6.0 or 7.0 percent of salary and are remitted by participating employers. The contributions are either deducted from member salaries or paid by the employers on the members behalf.

Starting July 1, 2020, Senate Bill 1049 required a portion of member contributions to their IAP accounts to be redirected to the Defined Benefit fund. If the member earns more than \$2,500 per month (increased to \$3,333 per month in 2022) 0.75 percent (if OPSRP member) or 2.5 percent (if Tier One/Tier Two member) of the member's contributions that were previously contributed to the member's IAP now fund the new Employee Pension Stability Accounts (EPSA). The EPSA accounts will be used to fund the cost of future pension benefits without changing those benefits, which means reduced contributions to the member's IAP account. Members may elect to make voluntary IAP contributions equal to the amount redirected.

EPSA redirect is only triggered when the member's gross pay in a month exceeds the monthly salary threshold, tied to the annual Consumer Price Index (All Urban Consumers, West Region).

NOTE 11 – RISK MANAGEMENT

The City of Shady Cove is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. Worker's compensation insurance is also provided through a commercial carrier. There has been no significant reduction in insurance coverage from the prior year and the City has not been required to pay any settlements in excess of insurance coverage during the past three fiscal years. Litigation is considered to be an ongoing risk assumed by the District because of the importance of the City services to the residents and the disputes that may occur.

NOTE 12 – CONCENTRATIONS OF RISK

In the normal course of operations, the City receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 13 – CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The City's operations are concentrated within Jackson County. In addition, substantially all the City's revenues, other than charges for services, for continuing operations are from federal, state, and local government agencies.

NOTE 14 – TAX ABATEMENTS

As of June 30, 2023, Jackson County provides tax abatements through five programs: Non-Profit Low Income Rental Housing, Enterprise Zone, Homebuyer Opportunity Limited Tax Exemption, Multiple-Unit Housing in Core Areas, and Residential Rehab Property.

**CITY OF SHADY COVE, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 14 – TAX ABATEMENTS (CONTINUED)

For the fiscal year ended June 30, 2023, Jackson County did not provide for any tax abatements for the City under these programs.

NOTE 15 – SEWER SERVICES ANNEXATION

The City Council and voters of the City of Shady Cove approved annexation of the City of Shady Cove sewer system to Rogue Valley Sewer Services (RVSS) effective July 1, 2019. On October 18, 2018, the City entered into a franchise agreement with RVSS, also effective July 1, 2019. The terms of the annexation and the franchise agreement include the following:

- The City hereby grants a non-exclusive franchise to, and gives consent and privilege to, RVSS to lay sewers and drains and related facilities in, on or under any public street, highway or road in the City, and for this purpose enter upon it and make all necessary and proper excavations, restoring it to its proper condition, together with the right to maintain, operate, construct, reconstruct, upgrade and relocate such sewer lines and drains and related facilities for the purpose of supplying sewer service to the inhabitants of the City and persons, entities and properties beyond the territorial limits of City, and shall continue for 10 years so long as City remains a part of the jurisdictional boundaries of RVSS.
- RVSS will pay the City 7% of sewer revenues received.
- The City will continue to provide sewer related billing services. RVSS will pay an annual administrative fee to the City for these services.
- Annual debt service payments on the Sewer Bond are to be made by RVSS to the City and the City will hold in reserve one year's debt service, as described in Note 8. This amount has been recorded as restricted cash in the General Fund.

NOTE 16 – SUBSEQUENT EVENTS

Management of the City has evaluated events and transactions occurring after June 30, 2023 through the date the financial statements were available for issuance, for recognition and/or disclosure in the financial statements.

On April 17, 2024, the City adopting Resolution No. 25-05, electing to form the Urban Renewal Agency for the City in order to address blight, stimulate economic development, support infrastructure improvements, and revitalize underutilized areas within city limits.

The City has an ongoing water project that was approved by the Governor in Spring of 2024, managed by Business Oregon that expires in June of 2027. The City estimates expenses upwards of \$400K.

In November 2024, the City finalized the purchase of property in Shady Cove (map number 341W15BC, tax lot 100) at the cost of \$450,000 with the plan of establishing a small park and additional parking spaces.



| REQUIRED SUPPLEMENTARY
INFORMATION

**CITY OF SHADY COVE
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION
(LIABILITY) / ASSET AND SCHEDULE OF THE CITY'S CONTRIBUTIONS
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)
LAST 10 FISCAL YEARS ENDING JUNE 30**

City of Shady Cove Proportionate Share of OPERS Net Pension (Liability) / Asset as of the Measurement Date

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
City's proportion of the net pension asset/(liability)	0.13618300%	0.13602800%	0.17505800%	0.00124619%	0.00092328%	0.00112795%	0.0004232%	0.0000000%	0.0007955%	0.0007955%
City's proportion of the net pension asset/(liability)	\$ (208,523)	\$ (162,778)	\$ (382,037)	\$ (215,561)	\$ (139,865)	\$ (152,048)	\$ (63,531)	\$ -	\$ 18,032	\$ (40,597)
City's covered-employee payroll	\$ 279,634	\$ 239,129	\$ 242,277	\$ 259,450	\$ 226,466	\$ 205,008	\$ 294,646	\$ 262,751	\$ 291,363	\$ 269,381
City's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	74.57%	68.07%	157.69%	83.08%	61.76%	74.17%	21.56%	0.00%	6.19%	15.07%
Plan fiduciary net position as a percentage of the total pension liability	84.50%	87.57%	75.80%	80.20%	82.07%	83.12%	80.53%	91.88%	103.59%	91.97%

City of Shady Cove Contributions

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions	\$ 11,937	\$ 10,250	\$ 4,842	\$ 5,715	\$ 2,614	\$ 24,663	\$ 2,941	\$ 26,067	\$ 925	\$ -
Contribution in relation to the contractually required	\$ (11,937)	\$ (10,250)	\$ (4,842)	\$ (5,715)	\$ (2,614)	\$ (24,663)	\$ (2,941)	\$ (26,067)	\$ (925)	\$ -
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered - employee payroll	\$ 250,554	\$ 279,634	\$ 239,129	\$ 242,277	\$ 259,450	\$ 226,466	\$ 205,008	\$ 294,646	\$ 262,751	\$ 291,363
Contributions as a percentage of covered-employee payroll	4.76%	3.67%	2.02%	2.36%	1.01%	10.89%	1.43%	8.85%	0.35%	0.00%

Notes to Schedule -

A summary of assumption changes implemented since the December 31, 2020 valuation are outlined briefly in Note 10 to the basic Financial Statements.

**CITY OF SHADY COVE, OREGON
COMBINING BALANCE SHEET
FUNDS WHICH COMPRISE THE CITY'S GENERAL FUND
JUNE 30, 2023**

	<u>General Fund</u>	<u>Capital Purchase Reserve Fund</u>	<u>Capital Improvement Fund</u>	<u>Total General Fund</u>
ASSETS				
Cash and investments	\$ 2,163,877	\$ 150,000	\$ -	\$ 2,313,877
Receivables - net	267,359	-	-	267,359
Prepays	759	-	-	759
RVSS receivable	1,625,000	-	-	1,625,000
TOTAL ASSETS	<u>\$ 4,056,995</u>	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ 4,206,995</u>
LIABILITIES				
Liabilities:				
Accounts payable	419,881	-	-	419,881
Payroll taxes and benefits payable	11,472	-	-	11,472
Unearned revenue	697,028	-	-	697,028
TOTAL LIABILITIES	<u>1,128,381</u>	<u>-</u>	<u>-</u>	<u>1,128,381</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	6,278	-	-	6,278
Unavailable revenue - RVSS receivable	1,625,000	-	-	1,625,000
TOTAL DEFERRED INFLOW OF RESOURCES	<u>1,631,278</u>	<u>-</u>	<u>-</u>	<u>1,631,278</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>2,759,659</u>	<u>-</u>	<u>-</u>	<u>2,759,659</u>
FUND BALANCES:				
Nonspendable	759	-	-	759
Committed	-	150,000	-	150,000
Restricted	98,847	-	-	98,847
Unassigned	1,197,730	-	-	1,197,730
TOTAL FUND BALANCES	<u>1,297,336</u>	<u>150,000</u>	<u>-</u>	<u>1,447,336</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 4,056,995</u>	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ 4,206,995</u>

The Funds listed above are maintained separately by the City. However, these Funds are considered to be a part of the City's General Fund in accordance with GASB Statement #54. As such, the information above is presented as the General Fund (a Major Fund) in the City's audited financial statements.

**CITY OF SHADY COVE
GENERAL FUND, CAPITAL PURCHASE RESERVE FUND
AND CAPITAL IMPROVEMENT FUND COMBINING SCHEDULED
YEAR ENDED JUNE 30, 2023**

	General Fund	Capital Purchase Reserve Fund	Capital Improvement Fund	Total General Fund
REVENUES				
Property taxes	\$ 173,142	\$ -	\$ -	\$ 173,142
State taxes	132,717	-	-	132,717
Franchise taxes	364,286	-	-	364,286
City fees	46,245	-	-	46,245
Administrative fees	50,000	-	-	50,000
Public safety	406,403	-	-	406,403
Floodplain permit fee	2,100	-	-	2,100
Grants	61,823	-	-	61,823
Miscellaneous	4,129	-	-	4,129
Payments from RVSS	123,994	-	-	123,994
Earning on investments	39,932	-	-	39,932
TOTAL REVENUES	1,404,771	-	-	1,404,771
EXPENDITURES				
Current:				
General government	845,118	-	-	845,118
Public safety	565,976	-	-	565,976
Culture and recreation	3,436	-	-	3,436
Debt service	123,993	-	-	123,993
TOTAL EXPENDITURES	1,538,523	-	-	1,538,523
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(133,752)	-	-	(133,752)
NET CHANGE IN FUND BALANCE	(133,752)	-	-	(133,752)
FUND BALANCE, BEGINNING OF YEAR, RESTATED	1,431,088	150,000	-	1,581,088
FUND BALANCE, END OF YEAR	\$ 1,297,336	\$ 150,000	\$ -	\$ 1,447,336

The Funds listed above are maintained separately by the City. However, these Funds are considered to be a part of the City's General Fund in accordance with GASB Statement #54. As such, the information above is presented as the General Fund (a Major Fund) in the City's audited financial statements.

CITY OF SHADY COVE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2023

	Budget		Actual	Variance
	Adopted	Final		Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 161,400	\$ 161,400	\$ 173,142	\$ 11,742
State taxes	112,000	112,000	132,717	20,717
Franchise taxes	290,000	290,000	364,286	74,286
City fees	112,000	112,000	46,245	(65,755)
Administrative fees	125,000	125,000	50,000	(75,000)
Municipal court	6,000	6,000	-	(6,000)
Public safety	360,000	360,000	406,403	46,403
Floodplain permit fee	2,500	2,500	2,100	(400)
Grants	712,000	712,000	61,823	(650,177)
Miscellaneous	6,000	6,000	4,129	(1,871)
Payments from RVSS for debt service	1,250,000	1,250,000	123,994	(1,126,006)
Earning on investments	12,000	12,000	39,932	27,932
TOTAL REVENUES	<u>3,148,900</u>	<u>3,148,900</u>	<u>1,404,771</u>	<u>(1,744,129)</u>
EXPENDITURES				
Current:				
Administration	2,716,283 *	2,716,283 *		1,747,172
General government			845,118	
Debt service			123,993	
Public safety	551,000	551,000	565,976	(14,976)
Parks	17,200	17,200	3,436	13,764
Contingency	100,000	100,000	-	100,000
TOTAL EXPENDITURES	<u>3,384,483</u>	<u>3,384,483</u>	<u>1,538,523</u>	<u>1,845,960</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(235,583)</u>	<u>(235,583)</u>	<u>(133,752)</u>	<u>(3,590,089)</u>
NET CHANGE IN FUND BALANCE	(235,583)	(235,583)	(133,752)	(3,590,089)
FUND BALANCE, BEGINNING OF YEAR, RESTATED	<u>450,000</u>	<u>450,000</u>	<u>1,431,088</u>	<u>981,088</u>
FUND BALANCE, END OF YEAR	<u>\$ 214,417</u>	<u>\$ 214,417</u>	<u>\$ 1,297,336</u>	<u>\$ (2,609,001)</u>

* - appropriations adopted at this level.

**CITY OF SHADY COVE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL
CAPITAL PURCHASE RESERVE FUND
YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Final Budget Positive (Negative)</u>
	<u>Adopted</u>	<u>Final</u>		
EXPENDITURES				
Capital outlay	\$ 300,000	\$ 300,000	\$ -	\$ 300,000
TOTAL EXPENDITURES	<u>300,000</u>	<u>300,000</u>	<u>-</u>	<u>300,000</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	150,000	150,000	-	(150,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>150,000</u>	<u>150,000</u>	<u>-</u>	<u>(150,000)</u>
NET CHANGE IN FUND BALANCE	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>	<u>150,000</u>
FUND BALANCE, BEGINNING OF YEAR	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ 150,000</u>

**CITY OF SHADY COVE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL
CAPITAL IMPROVEMENT FUND
YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Final Budget Positive (Negative)</u>
	<u>Adopted</u>	<u>Final</u>		
REVENUES				
Grants	\$ 2,615,000	\$ 2,615,000	\$ -	\$ (2,615,000)
TOTAL REVENUES	<u>2,615,000</u>	<u>2,615,000</u>	<u>-</u>	<u>(2,615,000)</u>
EXPENDITURES				
Capital outlay	<u>2,615,000</u>	<u>2,615,000</u>	<u>-</u>	<u>2,615,000</u>
TOTAL EXPENDITURES	<u>2,615,000</u>	<u>2,615,000</u>	<u>-</u>	<u>2,615,000</u>
CHANGE IN NET POSITION	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF SHADY COVE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
STREET FUND
YEAR ENDED JUNE 30, 2023**

	Budget		Actual	Variance Final Budget Positive (Negative)
	Adopted	Final		
REVENUES				
Grants	\$ 220,000	\$ 220,000	\$ 242,331	\$ 22,331
Earning on investments	-	-	8,324	8,324
TOTAL REVENUES	<u>220,000</u>	<u>220,000</u>	<u>250,655</u>	<u>30,655</u>
EXPENDITURES				
Current:				
Materials and services	242,500	242,500	93,642	148,858
Capital outlay	4,200	4,200	5,000	(800)
Contingency	25,000	25,000	-	25,000
TOTAL EXPENDITURES	<u>271,700</u>	<u>271,700</u>	<u>98,642</u>	<u>173,058</u>
NET CHANGE IN FUND BALANCE	(51,700)	(51,700)	152,013	203,713
FUND BALANCE, BEGINNING OF YEAR, RESTATED	<u>100,000</u>	<u>100,000</u>	<u>442,717</u>	<u>342,717</u>
FUND BALANCE, END OF YEAR	<u>\$ 48,300</u>	<u>\$ 48,300</u>	<u>\$ 594,730</u>	<u>\$ 546,430</u>

CITY OF SHADY COVE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
SYSTEM DEVELOPMENT CHARGES FUND
YEAR ENDED JUNE 30, 2023

	<u>Budget</u>		<u>Actual</u>	<u>Variance Final Budget Positive (Negative)</u>
	<u>Adopted</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenues	\$ 200,000	\$ 200,000	\$ 100,000	\$ (100,000)
System development charges	66,000	66,000	84,500	18,500
Earning on investments	4,000	4,000	7,460	3,460
TOTAL REVENUES	<u>270,000</u>	<u>270,000</u>	<u>191,960</u>	<u>(78,040)</u>
EXPENDITURES				
Capital outlay	242,000	242,000	185,224	56,776
Contingency	53,000	53,000	-	53,000
TOTAL EXPENDITURES	<u>295,000</u>	<u>295,000</u>	<u>185,224</u>	<u>109,776</u>
NET CHANGE IN FUND BALANCE	(25,000)	(25,000)	6,736	31,736
FUND BALANCE, BEGINNING OF YEAR, RESTATED	<u>113,500</u>	<u>113,500</u>	<u>408,004</u>	<u>294,504</u>
FUND BALANCE, END OF YEAR	<u>\$ 88,500</u>	<u>\$ 88,500</u>	<u>\$ 414,740</u>	<u>\$ 326,240</u>



| OTHER SUPPLEMENTARY
INFORMATION



INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

City Council and Michele Parry, City Administrator
P.O. Box 1210
22451 Highway 62
Shady Cove, OR 97539

We have audited in accordance with auditing standards generally accepted in the United States of America, the financial statements of the City of Shady Cove (the City) as of and for the year ended June 30, 2023, and have issued our report thereon dated December 8, 2025.

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 162-10-0000 through 162-10-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not the 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 but were not limited to the following:

- Deposit of public funds with financial institutions under ORS Chapter 295.
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required under ORS Chapter 294.
- Insurance and fidelity under bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets.
- Investments of surplus funds authorized under ORS Chapter 294.
- Public contracts and purchasing under ORS Chapters 279A, 279B, 279C.

In connection with our audit, 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 Administration Rules 162-010-0000 through 162-010-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, except as noted in Note 3 of the financial statements.

OAR 162-010-0230 Internal Control

In planning and performing our audit, we considered the City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did identify deficiencies in internal control that we consider to be material weaknesses and significant deficiencies. We described these material weaknesses and significant deficiencies in internal control in a separately issued Communication With Governance letter.

Restrictions on Use

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



Benjamin R. Cohn, CPA
KDP Certified Public Accountants, LLP
Medford, Oregon
December 8, 2025