

**CITY OF SHADY COVE  
ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2021

**CITY OF SHADY COVE**  
**ANNUAL FINANCIAL REPORT**

**TABLE OF CONTENTS**

**INTRODUCTORY SECTION:**

Elected Officials	i
-------------------	---

**FINANCIAL SECTION:**

INDEPENDENT AUDITOR'S REPORT	1 - 2
------------------------------	-------

FINANCIAL STATEMENTS AND SCHEDULES:

Basic Financial Statements:

Statement of Net Position	3
---------------------------	---

Statement of Activities	4
-------------------------	---

Balance Sheet -- Governmental Funds	5
-------------------------------------	---

Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Position	6
--	---

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	7
--	---

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances -- Government Funds to Statement of Activities	8
--	---

Notes to Basic Financial Statements	9 - 22
-------------------------------------	--------

Required Supplementary Information:

Schedule of the Proportionate Share of the Net Pension Liability	23
--	----

Schedule of Pension Contributions	23
-----------------------------------	----

Combining and Budgetary Comparison Information -- General Fund	
Combining Balance Sheet	24

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance	25
--	----

General Fund Budgetary Basis	26
------------------------------	----

Capital Improvement Fund Budgetary Basis	27
--	----

Capital Purchase Reserve Fund Budgetary Basis	28
---	----

Sewer Fund	29
------------	----

Street Fund Budgetary Basis	30
-----------------------------	----

SDC Fund Budgetary Basis	31
--------------------------	----

**COMPLIANCE SECTION:**

Independent Auditor's Report Required by Oregon State Regulations	32-33
---	-------

**CITY OF SHADY COVE**  
**JACKSON COUNTY, OREGON**

ELECTED OFFICIALS

June 30, 2021

CITY COUNCIL

Mayor Shari Tarvin  
Councilor Richard McGregor  
Councilor Kathy Nuckles  
Councilor Tim Evertt  
Unfilled position

TERM EXPIRES

December 31, 2022  
December 31, 2022  
December 31, 2024  
December 31, 2024  
December 31, 2024

All council members receive mail at the address listed below.

CITY ADMINISTRATOR

Thomas Corrigan  
City of Shady Cove  
22451 Highway 62  
Shady Cove, OR 97539



1976 Garden Ave.  
Eugene, OR 97403  
541.342.5161  
www.islercpa.com

## **INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and Members of the City Council  
City of Shady Cove, Oregon

### **Report on the Financial Statements**

We were engaged to audit the accompanying financial statements of the governmental activities and each major fund, of the City of Shady Cove, Oregon ("City") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

### **Disclaimer of Opinion**

Due to the significance of the matters described in the Basis for Disclaimer of Opinion section, we were unable to obtain sufficient appropriate evidence to provide a basis for an opinion. Accordingly, we do not express an opinion on the financial statements.

## **Basis for Disclaimer of Opinion**

We were unable to provide opinions on the financial statements and supplementary information because information and documentation provided for the engagement was insufficient to serve as evidence supporting financial statement amounts and disclosures. Due to turnover of City employees, internal control was inadequate to safeguard assets and ensure the proper recording of transactions. The information and documentation provided was inadequate to permit the application of auditing procedures, or alternative procedures, to serve as a basis for expressing opinions on the financial statements referred to in the first paragraph and the supplementary information as listed in the table of contents

## **Other Matters**

### *Required Supplementary Information*

Management has omitted the management's discussion and analysis. The required supplementary schedules of the City's Proportionate Share of Net Pension Liability and the City's Pension Contributions; and the budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Because of the significance of the matters described in the basis for disclaimer of opinions paragraph. We were unable to confirm or verify by alternative means the financial statements amounts for the required supplementary schedules.

### *Report on Other Legal and Regulatory Requirements*

In accordance with Minimum Standards of Audits of Oregon Municipal Corporations, we have issued our report dated April 13, 2024, on our consideration of the City's compliance with the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-320. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

## **Isler CPA**



By: Paul R Nielson CPA, a member of the firm

Eugene, Oregon  
April 13, 2024

**CITY OF SHADY COVE**  
**JACKSON COUNTY, OREGON**  
**BASIC FINANCIAL STATEMENTS**

**CITY OF SHADY COVE**  
**JACKSON COUNTY, OREGON**  
**STATEMENT OF NET POSITION**  
**June 30, 2021**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and cash equivalents	\$ 1,880,323
Accounts receivable, net	189,097
Restricted cash	126,269
Noncurrent receivables:	
Due within one year	65,000
Due in more than one year	1,690,000
Capital assets	
Capital assets not being depreciated	34,542
Capital assets, net of accumulated depreciation	891,958
Total Assets	4,877,189
<b>Deferred outflows of resources:</b>	
Deferred outflow of resources related to pensions	190,761
<b>Liabilities:</b>	
Accounts payable	213,251
Accrued payroll	24,571
Unearned revenue	20,448
Payable to RVSS	77,222
Noncurrent liabilities	
Long-term debt	
Due within one year	65,000
Due in more than one year	1,690,000
Unamortized bond premium	12,647
Net pension liability	382,037
Total liabilities	2,485,176
<b>Deferred inflows of resources:</b>	
Deferred inflow related to pensions	51,612
Deferred inflow related to RVSS receivable	1,755,000
Total deferred inflows	1,806,612
<b>Net position:</b>	
Net investment in capital assets	920,253
Restricted for:	
Debt service	126,269
System development charges	355,651
Roads	318,599
Unrestricted	(944,610)
Total net position	\$ 776,162

See accompanying notes to the basic financial statements

**CITY OF SHADY COVE  
JACKSON COUNTY, OREGON**

**STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2021**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenue</b>			<b>Net Revenue (Expenses) and Changes in Net Position</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>
<b>Primary government</b>					
Governmental activities					
General government	\$ 871,310	\$ 415,450	\$ 120,337	\$ -	\$ (335,523)
Public safety	521,623	375,887	-	-	(145,736)
Public works	795,451	835,925	333,599	-	374,073
Parks and recreation	5,600	-	-	-	(5,600)
Interest on long-term debt	57,940	-	-	-	(57,940)
<b>Total governmental activities</b>	<b>2,251,924</b>	<b>1,627,262</b>	<b>453,936</b>	<b>-</b>	<b>(170,726)</b>
		<b>General revenues</b>			
		Property taxes			158,464
		Other taxes			126,987
		Interest			10,357
		Miscellaneous			4,975
		Total general revenues			300,783
		<b>Change in net position</b>			130,057
		<b>Beginning net position</b>			(749,276)
		<b>Prior period restatement (see Note 9)</b>			1,471,381
		<b>Beginning net position, as restated</b>			646,105
		<b>Ending net position</b>			<b>\$ 776,162</b>

See accompanying notes to the basic financial statements

**CITY OF SHADY COVE  
JACKSON COUNTY, OREGON**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2021**

	GENERAL FUND	STREET FUND	SDC FUND	TOTAL
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,263,847	\$ 300,601	\$ 315,875	\$ 1,880,323
Receivables:				
Accounts receivable, net	128,548	20,773	39,776	189,097
RVSS receivable	1,755,000	-	-	1,755,000
Restricted cash	126,269	-	-	126,269
<b>Total assets</b>	<b>\$ 3,273,664</b>	<b>\$ 321,374</b>	<b>\$ 355,651</b>	<b>\$ 3,950,689</b>
<b>LIABILITIES</b>				
Accounts Payable	287,698	2,775	-	290,473
Payroll Taxes and Benefits Payable	24,571	-	-	24,571
Deferred Revenue	20,448	-	-	20,448
<b>Total liabilities</b>	<b>332,717</b>	<b>2,775</b>	<b>-</b>	<b>335,492</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - RVSS	1,755,000	-	-	1,755,000
Unavailable revenue - property taxes	11,286	-	-	11,286
<b>Total deferred inflows of resources</b>	<b>1,766,286</b>	<b>-</b>	<b>-</b>	<b>1,766,286</b>
<b>FUND BALANCE</b>				
Restricted	126,269	318,599	355,651	800,519
Unassigned	1,048,392	-	-	1,048,392
<b>Total fund balances</b>	<b>1,174,661</b>	<b>318,599</b>	<b>355,651</b>	<b>1,848,911</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 3,273,664</b>	<b>\$ 321,374</b>	<b>\$ 355,651</b>	<b>\$ 3,950,689</b>

See accompanying notes to the basic financial statements

**CITY OF SHADY COVE  
JACKSON COUNTY, OREGON**

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

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

<b>Total fund balances - governmental funds</b>	\$	1,848,911
<p>The cost of governmental capital assets (land, buildings, improvements, machinery and equipment, infrastructure, intangibles, and construction in progress) is reported as an expenditure in governmental funds. The statement of net assets includes those capital assets among the assets of the City as a whole.</p>		
		926,500
<p>Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.</p>		
Long-term debt	(1,767,647)	(1,767,647)
<p>Assets, liabilities, deferred inflows and outflows related to the City's portion of the State-wide pension plan are not current resources or requirements and therefore are not reported in the funds.</p>		
Net pension liability	(382,037)	
Deferred outflow of resources related to pensions	190,761	
Deferred inflow of resources related to pensions	(51,612)	(242,888)
<p>Unavailable revenues are not earned in the current period and therefore are not reported as revenues in the funds</p>		
Unavailable revenue		
Property taxes levied but not collected		11,286
<b>Total net position - governmental activities</b>	<b>\$</b>	<b><u>776,162</u></b>

See accompanying notes to the basic financial statements

**CITY OF SHADY COVE  
JACKSON COUNTY, OREGON**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

For the Fiscal Year Ended June 30, 2021

	<u>GENERAL FUND</u>	<u>STREET FUND</u>	<u>SDC FUND</u>	<u>TOTAL</u>
<b>REVENUES</b>				
Taxes	\$ 285,451	\$ -	\$ -	\$ 285,451
Intergovernmental Revenues	120,337	233,599	100,000	453,936
Fines and Fees	405,694	-	-	405,694
Licenses and Permits	385,643	-	-	385,643
Administrative fees	124,493	-	-	124,493
System Development Charges	-	-	10,500	10,500
Investment Earnings	1,767	-	8,589	10,356
Other Revenue	1,396	-	3,579	4,975
Total revenues	<u>1,324,781</u>	<u>233,599</u>	<u>122,668</u>	<u>1,681,048</u>
<b>EXPENDITURES</b>				
Current:				
General Government	669,942	-	-	669,942
Public Safety	521,623	-	-	521,623
Public Works	-	178,972	-	178,972
Culture and Recreation	5,600	-	-	5,600
Capital Outlay	-	-	208,904	208,904
Debt service:				
Principal Retirement	60,000	-	-	60,000
Interest Expense and Fiscal Charges	63,143	-	-	63,143
Total expenditures	<u>1,320,308</u>	<u>178,972</u>	<u>208,904</u>	<u>1,708,184</u>
Excess of revenues over (under) expenditures	<u>4,473</u>	<u>54,627</u>	<u>(86,236)</u>	<u>(27,136)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sewer service collections on behalf of RVSS	825,425	-	-	825,425
Payments to RVSS	(740,971)	-	-	(740,971)
Total	<u>84,454</u>	<u>-</u>	<u>-</u>	<u>84,454</u>
Net change in fund balance	88,927	54,627	(86,236)	57,318
Beginning fund balance	754,081	263,972	441,887	1,459,940
Restatement - 2020 sewer annexation	<u>331,653</u>	<u>-</u>	<u>-</u>	<u>331,653</u>
Beginning fund balance, restated	<u>1,085,734</u>	<u>263,972</u>	<u>441,887</u>	<u>1,791,593</u>
Ending fund balance	<u>\$ 1,174,661</u>	<u>\$ 318,599</u>	<u>\$ 355,651</u>	<u>\$ 1,848,911</u>

See accompanying notes to the basic financial statements

**CITY OF SHADY COVE  
JACKSON COUNTY, OREGON**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - TO  
STATEMENT OF ACTIVITIES**

**For the Fiscal Year Ended June 30, 2021**

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities.

**Total net change in fund balances - governmental funds** \$ 57,318

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capitalized expenditures	\$	162,546	
Depreciation expense		<u>(61,925)</u>	
Net adjustment			100,621

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available.

Accrued interest		5,203	
Compensated absences		<u>14,684</u>	19,887

The issuance of long-term debt provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This is the amount by which bond proceeds exceeded principal retirement in the current period.

Bond principal payments			60,000
-------------------------	--	--	--------

Expenses related to pension obligations not using current resources			<u>(107,769)</u>
---	--	--	------------------

**Change in net position - governmental activities** **\$ 130,057**

See accompanying notes to the basic financial statements

**CITY OF SHADY COVE  
JACKSON COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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 government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

**THE FINANCIAL REPORTING ENTITY**

The City of Shady Cove is a municipal corporation governed by an elected mayor and four member council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable, as defined under GASB Statement 39.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the activities of the primary government and its component units. For the most part, interfund services provided and used are eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. As of June 30, 2021, all activities are considered to be governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Indirect expenses* are those costs, usually administrative in nature, that support all City functions and programs and enable direct services to be provided. Program revenues include 1) charges for services that include charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges, fines and forfeitures assessed as penalties for code violations, and state shared revenues received for support of various programs - all of which are related to a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Major individual governmental funds are reported as separate columns in the fund financial statements.

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds. Basis of accounting refers to when revenues, expenditures, expenses, transfers, assets, deferred outflows of resources, liabilities, and deferred inflows of resources are recognized in the accounts and reported in the financial statements.

Exchange transactions are recognized when the exchange takes place. Nonexchange transactions are recognized in accordance with the nature of the nonexchange transaction. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

**CITY OF SHADY COVE  
JACKSON COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both *measurable and available*. Revenues are considered to be available, and susceptible to accrual, when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following 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. The Sewer fund is included in the General fund since, as of July 1, 2019, Rogue Valley Sewer System annexed the wastewater infrastructure of the city and took over wastewater operations. The fund currently accounts for the collections made by the City on behalf of Rogue Valley Sewer System as well as the debt payments for the full faith and credit debt City originally associated with improvements made to the wastewater system by the City.

**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. Street utility fees set by Council resolution also fund street repairs and maintenance.

**SDC Fund** - This fund is responsible for collection of system development charges and related capital improvements

Amounts reported as program *revenues* on the statement of activities include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions. Internally dedicated resources and all taxes are reported as general revenues rather than as program revenues..

**BUDGETS**

The City budgets all funds as required by Oregon State Budget Law. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Expenditure budgets for the General Fund are established by department, while budgets for the Street Fund, System Development Fund, and Sewer Fund are appropriated at object levels of personal services, materials and services, capital outlay, debt service, interfund transactions and contingency. Unexpected additional resources or appropriations may be added to the budget through the use of a supplemental budget. Original and supplemental budgets require hearings before the public, publications in newspapers, and approval by the City Council. Original and supplemental budgets may be modified by the use of appropriation transfers between the 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 294.565 (Oregon Budget Law). Transfers of appropriations, permitted by Oregon Budget Law, were authorized by the City Council during the fiscal year.

**CITY OF SHADY COVE  
JACKSON COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**ESTIMATES**

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

**ASSETS, LIABILITIES, AND NET POSITION OR EQUITY**

**Cash and Investments**

The City maintains a cash pool. Each fund's portion of the pools is displayed on the balance sheet as "cash and investments" on the fund financial statements and as "cash and cash equivalents" on the government wide financial statements.

**Receivables and Payables**

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.

Receivables are assessed for collectability and allowances for doubtful collection are recorded as necessary. Receivables for federal and state grants, and state, county and local shared revenue are recorded as revenue in all funds as earned. The receivables for state, county and local shared revenue are recorded in accounts receivable.

Investment earnings (e.g., accrued interest receivable) are recorded as revenue in all fund types as earned on investments.

**Interfund Activities**

Interfund activities include charges for services and operating transfers.

**Capital Assets**

Capital assets, which include property, plant, equipment, intangible assets (e.g., software, land use rights, patents), and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the cost of the developer donating the asset. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized when projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Depreciable capital assets are depreciated using the straight-line method over the asset's estimated useful life as follows:

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

**CITY OF SHADY COVE  
JACKSON COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Grants**

Unreimbursed expenditures due from grantor agencies are reflected in the basic financial statements as receivables and revenues. Grant revenues are recorded at the time eligible expenditures are incurred. Cash received from grantor agencies in excess of related grant expenditures is recorded as a liability on the balance sheet and statement of net position.

**Compensated Absences**

Liabilities for vacation pay and sick pay are 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.

**Deferred Outflow / Inflow of Resources**

The statements of net position and balance sheets report separate sections for deferred outflows and deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period or periods. Deferred outflows of resources represent a use of net position that applies to a future period or periods. In that future period a deferred inflow will be recognized as revenue and a deferred outflow will be recognized as an expense.

**Long-term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources. Principal and interest payments on long-term debt are reported as debt service expenditures.

**Net Position**

Net position is defined as the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the City's financial statements.

Government-wide and proprietary fund net position comprises the various net earnings from operations, non-operating revenues, expenses and contributions of capital. Net position is classified in the following three categories:

**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.

**Fund Balances**

In the fund financial statements, governmental funds report fund balances as nonspendable, restricted, committed, assigned or unassigned.

**Nonspendable fund balance** - inherently nonspendable resources that, because of their form, cannot be spent, or must remain intact. Nonspendable items are not expected to be converted to cash and include prepaid amounts.

**Restricted fund balance** - externally enforceable limitations on resource use have been imposed by creditors, grantors, contributors, or laws and regulations of other governments, or by law through constitutional provisions or enabling legislation.

**CITY OF SHADY COVE  
JACKSON COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Committed fund balance** - self-imposed limitations on spending set by the City Council prior to the end of the fiscal year by formal action through the adoption of a resolution. Only a similar formal action of adopting a resolution can remove or modify such self-imposed spending limitations. Resolutions are the highest form of Council policy expression with respect to the City's budget and financial policies.

**Assigned fund balance** - self-imposed limitation resulting from intended use established by the City Council such as through the adoption of the City budget. No other body or official can assign fund balance.

**Unassigned fund balance** - residual net resources, the expenditure of which has not been limited in any way. Only the General Fund may report a positive unassigned fund balance amount. Other governmental funds may report a negative unassigned fund balance amount if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned for that purpose.

When both restricted and unrestricted resources and fund balances are available for use in proprietary funds, it is the City's policy to use restricted resources and fund balances first, then unrestricted resources and fund balances as they are needed. In the governmental funds, when committed, assigned and unassigned resources and fund balances are available for use, it is the City's policy to use committed resources and fund balances first, assigned resources and fund balances second and then unassigned resources and fund balances as they are needed.

**2. CASH AND INVESTMENTS**

The City is restricted by Oregon Revised Statutes as to the types of investments in which it may invest its cash balances. Statutes authorize the City to invest in obligations of the U.S. Treasury and other U.S. Government agencies, certain commercial paper, bankers' acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool. Cash and investments reported on the fund financial statements are considered to be cash and cash equivalents.

Cash and cash equivalents, unrestricted and restricted, at June 30 consisted of:

	<b>2021</b>
Cash on hand	\$ 1,100
Cash in bank	828,008
LGIP	1,177,484
Total	\$ 2,006,592

Cash is reported on the Statement of Net Position as follows:

	<b>2021</b>
Cash and cash equivalents	\$ 1,880,323
Restricted cash	126,269
Total	\$ 2,006,592

Restricted cash represents a loan reserve balance held in accordance with the annexation agreement with Rogue Valley Sewer Services.

All investments of the City shall be made in accordance with Oregon Revised Statutes: ORS 294.035 (Investment of surplus funds of political subdivisions; approved investments), ORS 294.040 (Restriction on investments under ORS 294.035), ORS 294.135 (Investment maturity dates), ORS 294.145 (Prohibited conduct for custodial officer), ORS 294.805 to 294.895 (Local Government Investment Pool). Any revisions or extensions of these sections of the ORS shall be assumed to be part of this investment policy immediately upon being enacted.

The Oregon Local Government Investment Pool (LGIP) is an open-ended, no-load diversified portfolio offered to any municipality, political subdivision or public corporation of the State that by law is made the custodian of, or has control of, any public funds. The Office of the State Treasurer (OST) manages the LGIP. The LGIP is commingled with other State funds in the Oregon Short-Term Fund (OSTF). The OSTF is not managed as a stable net asset value fund; therefore, the preservation of principal is not assured. The LGIP is not rated by a national rating

**CITY OF SHADY COVE  
JACKSON COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS**

**2. CASH AND INVESTMENTS, continued**

service. Additional information about the OSTF can be obtained at [www.ost.state.or.us](http://www.ost.state.or.us) and [www.oregon.gov/treasury](http://www.oregon.gov/treasury). The weighted-average maturity of LGIP is less than one year. The investment in LGIP is stated at the value of the City's share in the pool, which approximates fair value.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City's deposits with financial institutions up to \$250,000 each for the aggregate of all non-interest bearing accounts and the aggregate of all interest bearing accounts at each institution. Deposits in excess of FDIC coverage are held with institutions participating in the Oregon Public Funds Collateralization Program. In the event of bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposit of public funds of government entities. As of June 30, 2021, none of the City's bank balances were exposed to credit risk.

Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized and may be subject to credit risk.

**3. RECEIVABLES**

Receivables as of the year ended June 30, 2021, for all the City's funds are as follows:

<u>Governmental Activities</u>	<u>Governmental Funds</u>	<u>Due Within One Year</u>	<u>Long-Term Portion</u>
Current:			
Accounts receivable	\$ 188,451	\$ 188,451	\$ -
Property taxes receivable	9,395	9,395	-
Allowance for doubtful accounts	<u>(8,749)</u>	<u>(8,749)</u>	-
Total current	<u>189,097</u>	<u>189,097</u>	-
Long-term:			
RVSS receivable (see Note 5)	<u>1,755,000</u>	<u>65,000</u>	<u>1,690,000</u>
Total	<u>\$ 1,944,097</u>	<u>\$ 254,097</u>	<u>\$ 1,690,000</u>

**CITY OF SHADY COVE  
JACKSON COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS**

**4. CAPITAL ASSETS**

The changes in capital assets for the fiscal year ended June 30, 2021 are as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
<b>Governmental Activities:</b>				
<b>Not being depreciated</b>				
Land	\$ 34,542	\$ -	\$ -	\$ 34,542
Work in process	120,513	-	(120,513)	-
Total	<u>155,055</u>	<u>-</u>	<u>(120,513)</u>	<u>34,542</u>
<b>Being depreciated</b>				
Buildings and improvements	343,278	-	-	343,278
Machinery and equipment	79,799	-	-	79,799
Infrastructure	1,032,153	283,059	-	1,315,212
Total	<u>1,455,230</u>	<u>283,059</u>	<u>-</u>	<u>1,738,289</u>
<b>Accumulated depreciation</b>				
Buildings and improvements	(260,568)	(13,492)	-	(274,060)
Machinery and equipment	(69,013)	(10,786)	-	(79,799)
Infrastructure	(454,825)	(37,647)	-	(492,472)
Total	<u>(784,406)</u>	<u>(61,925)</u>	<u>-</u>	<u>(846,331)</u>
<b>Governmental capital assets, net</b>	<u>\$ 825,879</u>	<u>\$ 221,134</u>	<u>\$ (120,513)</u>	<u>\$ 926,500</u>

Depreciation expense of \$61,925 was charged to general governmental expense on the statement of activities.

**5. LONG-TERM DEBT**

At June 30, 2021, the City's long-term financed debt consists of the following:

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 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, net of the bond premium. In addition, the City retains one year of principal and interest payments on hand as noted under restricted cash in Note 2.

Changes in the City's long-term debt during the fiscal year ending June 30, 2021:

	<u>Balance 7/1/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2021</u>	<u>Due Within One Year</u>	<u>Long-Term Portion</u>
<b>Governmental Activities</b>						
Sewer bond	\$ 1,815,000	\$ -	\$ (60,000)	\$ 1,755,000	\$ 65,000	\$ 1,690,000
Bond premiums	13,312	-	(665)	12,647	665	11,982
<b>Total</b>	<u>\$ 1,828,312</u>	<u>\$ -</u>	<u>\$ (60,665)</u>	<u>\$ 1,767,647</u>	<u>\$ 65,665</u>	<u>\$ 1,701,982</u>

**CITY OF SHADY COVE  
JACKSON COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS**

**5. LONG-TERM DEBT, continued**

Future debt service payments to be made in governmental activities by the General Fund are as follows:

<b>Years Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>
2022	\$ 65,000	\$ 61,269
2023	65,000	58,994
2024	70,000	56,294
2025	70,000	53,494
2026	75,000	50,594
2027 to 2031	420,000	208,208
2032 to 2036	490,000	133,435
2037 to 2041	500,000	40,350
<b>Total</b>	<b>\$ 1,755,000</b>	<b>\$ 662,638</b>

**6. INTERFUND ACTIVITY**

Interfund activity for the year ended June 30, 2021 consists of administrative charges from the General Fund to the Street Fund of \$124,493. Payroll costs for all personnel are initially recorded in the General Fund and are allocated to the Street Fund based on a predetermined percentage to approximate time spent by the City's personnel. These amounts have been eliminated on the government-wide statement of activities.

**7. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance for general, auto and property liability. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**8. STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM**

Employees of the City are provided with pensions through the Oregon Public Employees Retirement System (OPERS) a cost-sharing multiple-employer defined benefit and defined contribution pension plan, the Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained at

[http://www.oregon.gov/pers/Pages/section/financial\\_reports/financials.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx)

**CITY OF SHADY COVE  
JACKSON COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS**

**8. STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM, continued**

**Benefits Provided**

*1. Tier One/Tier Two Retirement Benefit ORS (Chapter 238).*

*Pension Benefits*

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (1.67 percent for general service employees, 2.0 percent for police and fire employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

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

*Death Benefits*

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

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

*Disability Benefits*

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

*Benefit Changes After Retirement*

Retired 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 equity investments.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

**CITY OF SHADY COVE  
JACKSON COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS**

**8. STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM, continued**

*2. OPSRP Pension Program (OPSRP DB)*

*Pension Benefits.*

The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003.

This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated 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 employees: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

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

*Death Benefits*

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

*Disability Benefits*

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

*Benefit Changes After Retirement*

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

*3. OPSRP Individual Account Program (OPSRP IAP)*

*Pension Benefits*

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

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

**CITY OF SHADY COVE  
JACKSON COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS**

**8. STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM, 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.

*Recordkeeping*

OPERS contracts with VOYA Financial to maintain IAP participant records.

**Contributions**

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2018 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2019. Employer contributions for the year ended June 30, 2021 were \$1,116 excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2021 were 10.00 percent for Tier One/Tier Two Members, 2.51 percent for OPSRP Pension Program General Service Members, 7.14 percent for OPSRP Pension Program Police and Fire Members, and 6 percent for OPSRP Individual Account Program.

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

At June 30, 2021, the City's proportionate share of the net pension liability is \$382,037. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018 rolled forward to June 30, 2020. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2021, the City's proportion was 0.00175058 percent, which changed from its proportion of 0.00124619 percent measured as of June 30, 2020.

The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 16,814	\$ -
Change in assumptions	20,503	718
Net difference between projected and actual earnings on pension plan investments	44,923	-
Changes in proportionate share	98,721	8,861
Differences between City contributions and proportionate share of contributions	<u>4,958</u>	<u>42,033</u>
Subtotal before post-measurement date contributions	185,919	51,612
City contributions subsequent to the measurement date	<u>4,842</u>	-
Total	<u>\$ 190,761</u>	<u>\$ 51,612</u>

**CITY OF SHADY COVE  
JACKSON COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS**

**8. STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM, continued**

Deferred outflows of resources related to pensions of \$4,842 resulting from the City's contributions subsequent to the measurement date will be recognized as either a reduction of the net pension liability or an increase in the net pension asset in the year ended June 30, 2022. Net deferred outflows (inflows) of resources of \$134,307 will be recognized in pension expense as follows:

Year Ended June 30,		
2022	\$	38,425
2023		36,337
2024		33,199
2025		23,817
2026		<u>2,529</u>
Total	\$	<u>134,307</u>

Actuarial Methods and Assumptions Used in Developing Total Pension Liability:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization based over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.5 percent
Investment Rate of return	7.2 percent
Projected Salary Increases	3.5 percent
Mortality	<p>Healthy retirees and beneficiaries: RP-2014 sex-distinct, generational with unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Active Members: RP-2014 sex-distinct, generational with unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: RP-2014 sex-distinct, generational with unisex, Social Security Data Scale.</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 2018 Experience Study which reviewed experience for the four-year period ending on December 31, 2018.

**Long-term Expected Rate of Return**

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. 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. For more information on the Plan's portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS' audited financial statements at: <http://www.oregon.gov/PERS/Pages/Financials/Actuarial-Financial-Information.aspx>.

**CITY OF SHADY COVE  
JACKSON COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS**

**8. STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM, continued**

**Discount Rate**

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

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.2 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.2 percent) or 1-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.2%)	Discount Rate (7.2%)	1% Increase (8.2%)
Proportionate share of net pension liability (asset)	\$ 567,293	\$ 382,037	\$ 226,691

**Changes in Assumptions and Other Inputs**

Changes in actuarial methods and assumptions since the December 31, 2018 valuation are described in the 2018 Experience Study at <https://www.oregon.gov/pers/Documents/2018ExpStudy.pdf>

Changes in assumptions from that Study are reported in the table of actuarial methods and assumptions, modifications to the allocation of actuarial accrued liabilities, administrative expense assumptions, healthcare cost inflation, and mortality tables can be found at:

<http://www.oregon.gov/PERS/Pages/Financials/Actuarial-Financial-Information.aspx>

**CITY OF SHADY COVE  
JACKSON COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS**

**9. PRIOR PERIOD ADJUSTMENTS**

In prior years the City did not properly record amounts due to Rogue Valley Sewer System as part of the annexation of the City's wastewater assets. The effect of adjusting these liabilities in the beginning fund balance of the General Fund is as follows:

	<u>General Fund</u>
Ending fund balance, July 1, 2020:	
As previously reported	\$ 754,081
Corrections to FY20 sewer annexation amounts	<u>331,653</u>
Ending fund balance, July 1, 2020 as restated	<u>\$ 1,085,734</u>

In addition, activities in the SDC Fund and former Sewer Fund have been reclassified to governmental activities beginning in the current fiscal year as described in Note 1. The effect on beginning net position is as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Ending net position, July 1, 2020:		
As previously reported	\$ (749,276)	\$ 1,139,728
Corrections to FY20 sewer annexation amounts	166,695	164,958
Correction of capital improvement receivable	(76,000)	-
Fund reclassification	<u>1,304,686</u>	<u>(1,304,686)</u>
Ending net position, July 1, 2020 as restated	<u>\$ 646,105</u>	<u>\$ -</u>

**10. BUDGETARY NONCOMPLIANCE**

For the year ended June 30, 2021, the SDC Fund's actual expenditures of \$185,885 for transportation on a budgetary basis exceeded the authorized appropriations of \$166,000. The SDC Fund's actual expenditures of \$23,019 for parks on a budgetary basis exceeded the authorized appropriations of \$20,000.

**CITY OF SHADY COVE  
JACKSON COUNTY, OREGON**

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SHADY COVE  
JACKSON COUNTY, OREGON**

**REQUIRED SUPPLEMENTARY INFORMATION  
For the Fiscal Year Ended June 30, 2021**

**Schedule of the Proportionate Share of the Net Pension Liability**

Oregon Public Employees Retirement System <sup>(1) (2)</sup>

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability (asset)	0.001751 %	0.001246 %	0.000923 %	0.001128 %	0.000423 %	0.000423 %	0.000796 %	0.000796 %
Proportionate share of the net pension liability (asset)	\$ 382,037	\$ 215,561	\$ 139,865	\$ 152,048	\$ 63,531	\$ 63,531	\$ (18,032)	\$ 40,597
Covered payroll	242,277	259,450	226,466	205,008	294,646	262,751	291,363	269,381
Proportionate share of the pension liability (asset) as a percentage of its covered payroll	157.69 %	83.08 %	61.76 %	74.17 %	21.56 %	24.18 %	6.19 %	15.07 %
Plan net position as a percentage of the total pension liability	75.79 %	80.23 %	82.07 %	83.10 %	80.50 %	91.88 %	103.59 %	91.97 %

**Schedule of Pension Contributions**

Oregon Public Employees Retirement System <sup>(1)</sup>

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 5,268	\$ 6,081	\$ 1,116	\$ 960	\$ 850	\$ 926	\$ 925	\$ 1,165
Contributions in relation to the contractually required contribution	<u>5,268</u>	<u>6,081</u>	<u>1,116</u>	<u>960</u>	<u>850</u>	<u>926</u>	<u>925</u>	<u>1,165</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered payroll	\$ 239,129	\$ 242,277	\$ 254,450	\$ 223,342	\$ 199,749	\$ 197,686	\$ 262,751	\$ 291,363
Contributions as a percentage of covered payroll	2.20 %	2.51 %	0.44 %	0.43 %	0.43 %	0.47 %	0.35 %	0.40 %

**Notes to Required Supplementary Information**

(1) 10-year trend information required by GASB Statement 68 will be presented prospectively

(2) Amounts presented are for the measurement period reported during the fiscal year, which for FY 2021 is July 1, 2019- June 30, 2020.

**CITY OF SHADY COVE  
JACKSON COUNTY, OREGON**

**GENERAL FUND  
COMBINING BALANCE SHEET  
June 30, 2021**

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Capital Purchase Reserve Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Assets:</b>					
Cash and Cash Equivalents	\$ 1,037,861	\$ -	\$ 150,000	\$ 75,986	\$ 1,263,847
Accounts Receivable, net	127,312	-	-	1,236	128,548
Restricted Cash	-	-	-	126,269	126,269
RVSS receivable	<u>1,755,000</u>	-	-	-	<u>1,755,000</u>
<b>Total Assets:</b>	<u>\$ 2,920,173</u>	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ 203,491</u>	<u>\$ 3,273,664</u>
<b>Liabilities and Fund Balances:</b>					
Liabilities:					
Trade Accounts Payable	\$ 210,476	\$ -	\$ -	\$ -	\$ 210,476
Payable to RVSS	-	-	-	77,222	77,222
Payroll payable	24,571	-	-	-	24,571
Deferred revenue	<u>20,448</u>	-	-	-	<u>20,448</u>
Total liabilities	<u>255,495</u>	-	-	<u>77,222</u>	<u>332,717</u>
Deferred inflows of resources:					
Unavailable revenue - RVSS	1,755,000	-	-	-	1,755,000
Unavailable revenue - property taxes	<u>11,286</u>	-	-	-	<u>11,286</u>
Total deferred inflows	<u>1,766,286</u>	-	-	-	<u>1,766,286</u>
Fund balances:					
Restricted	-	-	-	126,269	126,269
Unassigned	<u>898,392</u>	-	<u>150,000</u>	-	<u>1,048,392</u>
Total fund balances:	<u>898,392</u>	-	<u>150,000</u>	<u>126,269</u>	<u>1,174,661</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 2,920,173</u>	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ 203,491</u>	<u>\$ 3,273,664</u>

**CITY OF SHADY COVE  
JACKSON COUNTY, OREGON**

**GENERAL FUND  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
For the Fiscal Year Ended June 30, 2021**

	General Fund	Capital Improvement Fund	Capital Purchase Reserve Fund	Sewer Fund	Total
<b>REVENUES:</b>					
Property Taxes	\$ 158,464	\$ -	\$ -	\$ -	\$ 158,464
Other Taxes	126,987	-	-	-	126,987
Intergovernmental Revenues	120,337	-	-	-	120,337
Fines and Fees	405,694	-	-	-	405,694
Licenses and Permits	385,643	-	-	-	385,643
Administrative fees	124,493	-	-	-	124,493
	-	-	-	-	-
Investment Earnings	1,767	-	-	-	1,767
Other Revenue	1,396	-	-	-	1,396
Total revenues:	1,324,781	-	-	-	1,324,781
<b>EXPENDITURES:</b>					
Current:					
Personal Services	370,332	-	-	-	370,332
Materials and Services	826,833	-	-	-	826,833
Debt service	-	-	-	123,143	123,143
Total expenditures:	1,197,165	-	-	123,143	1,320,308
Excess of revenues over (under) expenditures	127,616	-	-	(123,143)	4,473
<b>Other Financing Sources (Uses)</b>					
Sewer service collections on behalf of RVSS	-	-	-	825,425	825,425
Special payments - RVSS	-	-	-	(740,971)	(740,971)
Net change in fund balance	127,616	-	-	(38,689)	(736,498)
Beginning fund balance, as restated	770,776	-	150,000	164,958	1,085,734
Ending fund balance	<u>\$ 898,392</u>	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ 126,269</u>	<u>\$ 349,236</u>

**CITY OF SHADY COVE  
JACKSON COUNTY, OREGON**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
For the Fiscal Year Ended June 30, 2021**

	<u>BUDGET</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
Revenues:				
Taxes	\$ 147,000	\$ 147,000	\$ 285,451	\$ 138,451
Intergovernmental Revenues	99,100	99,100	120,337	21,237
Fines and Fees	345,000	345,000	405,694	60,694
Licenses and Permits	372,000	372,000	385,643	13,643
Administrative fees	124,493	124,493	124,493	-
Auxiliary Services Revenue	50,000	50,000	-	(50,000)
Investment Earnings	10,000	10,000	1,767	(8,233)
Other Revenue	500	500	1,396	896
Total revenues	<u>1,148,093</u>	<u>1,148,093</u>	<u>1,324,781</u>	<u>176,688</u>
Expenditures:				
General Government	673,900	673,900	669,942	3,958
Public Safety	522,500	522,500	521,623	877
Culture and Recreation	5,700	5,700	5,600	100
Contingency	50,000	50,000	-	50,000
Total expenditures	<u>1,252,100</u>	<u>1,252,100</u>	<u>1,197,165</u>	<u>54,935</u>
Excess of revenues over (under) expenditures	(104,007)	(104,007)	127,616	231,623
Other financing sources (uses):				
Net change in fund balance	(104,007)	(104,007)	127,616	231,623
Beginning fund balance	221,112	221,112	604,081	382,968
Restatement - see Note 9	-	-	166,695	-
Beginning fund balance as restated	<u>221,112</u>	<u>221,112</u>	<u>770,776</u>	<u>549,663</u>
Ending fund balance	<u>\$ 117,105</u>	<u>\$ 117,105</u>	<u>\$ 898,392</u>	<u>\$ 781,287</u>

**CITY OF SHADY COVE  
JACKSON COUNTY, OREGON**

**CAPITAL IMPROVEMENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
For the Fiscal Year Ended June 30, 2021**

	<u>BUDGET</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
Revenues:				
Grants	\$ 1,020,000	\$ 1,020,000	\$ -	\$ (1,020,000)
Expenditures:				
Capital outlay	1,020,000	1,020,000	-	1,020,000
Other Financing Sources (Uses):				
Net change in fund balance	-	-	-	-
Beginning fund balance	-	-	-	-
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF SHADY COVE  
JACKSON COUNTY, OREGON**

**CAPITAL PURCHASE RESERVE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
For the Fiscal Year Ended June 30, 2021**

	<u>BUDGET</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
Expenditures:				
Capital outlay	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>-</u>	<u>\$ 25,000</u>
Other financing sources (uses):				
Net change in fund balance	(25,000)	(25,000)	-	25,000
Beginning fund balance	<u>150,000</u>	<u>150,000</u>	<u>-</u>	<u>(150,000)</u>
Ending fund balance	<u>\$ 125,000</u>	<u>\$ 125,000</u>	<u>\$ 150,000</u>	<u>\$ 25,000</u>

**CITY OF SHADY COVE  
JACKSON COUNTY, OREGON**

**SEWER FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
For the Fiscal Year Ended June 30, 2021**

	BUDGET		ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>Revenues:</b>				
Charges for Services	\$ 930,000	\$ 930,000	\$ 825,425	\$ (104,575)
Other Revenue	<u>124,200</u>	<u>124,200</u>	<u>-</u>	<u>(124,200)</u>
Total revenues	<u>1,054,200</u>	<u>1,054,200</u>	<u>825,425</u>	<u>(228,775)</u>
<b>Expenditures:</b>				
Debt Service	125,744	125,744	123,143	2,601
Special payments - RVSS	<u>926,356</u>	<u>926,356</u>	<u>740,971</u>	<u>185,385</u>
Total expenditures	<u>1,052,100</u>	<u>1,052,100</u>	<u>864,114</u>	<u>187,986</u>
Net change in fund balance	2,100	2,100	(38,689)	(40,789)
Beginning fund balance	125,200	125,200	-	(125,200)
Restatement - see Note 9	<u>-</u>	<u>-</u>	<u>164,958</u>	<u>-</u>
Beginning fund balance as restated	<u>125,200</u>	<u>125,200</u>	<u>164,958</u>	<u>(125,200)</u>
Ending fund balance	<u>\$ 127,300</u>	<u>\$ 127,300</u>	<u>\$ 126,269</u>	<u>\$ (165,989)</u>

**CITY OF SHADY COVE  
JACKSON COUNTY, OREGON**

**STREET FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
For the Fiscal Year Ended June 30, 2021**

	<u>BUDGET</u>		<u>FIRST YEAR ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Revenues:				
Intergovernmental Revenues	\$ 200,000	\$ 200,000	\$ 233,599	\$ (33,599)
Expenditures:				
Materials and services	232,493	232,493	178,972	53,521
Capital outlay	2,000	2,000	-	2,000
Contingency	5,000	5,000	-	5,000
Total expenditures	<u>239,493</u>	<u>239,493</u>	<u>178,972</u>	<u>60,521</u>
Net change in fund balance	(39,493)	(39,493)	54,627	94,120
Beginning fund balance	<u>64,292</u>	<u>64,292</u>	<u>263,972</u>	<u>199,680</u>
Ending fund balance	<u>\$ 24,799</u>	<u>\$ 24,799</u>	<u>\$ 318,599</u>	<u>\$ 293,800</u>

**CITY OF SHADY COVE  
JACKSON COUNTY, OREGON**

**SDC FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
For the Fiscal Year Ended June 30, 2021**

	BUDGET		FIRST YEAR ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>Revenues:</b>				
Intergovernmental Revenues	\$ 178,700	\$ 178,700	\$ 100,000	\$ (78,700)
System Development Charges	52,500	52,500	10,500	(42,000)
Investment Earnings	4,300	4,300	8,589	4,289
Other Revenue	-	-	3,579	3,579
<b>Total revenues</b>	<b>235,500</b>	<b>235,500</b>	<b>122,668</b>	<b>(112,832)</b>
<b>Expenditures:</b>				
Capital Outlay				
Transportation	166,000	166,000	185,885	(19,885)
Stormwater	20,000	20,000	-	20,000
Parks	20,000	20,000	23,019	(3,019)
Contingency	21,000	21,000	-	21,000
<b>Total expenditures</b>	<b>227,000</b>	<b>227,000</b>	<b>208,904</b>	<b>18,096</b>
Net Change in fund balance	8,500	8,500	(86,236)	(94,736)
Beginning fund balance	211,745	211,745	441,887	381,521
Ending fund balance	<u>\$ 220,245</u>	<u>\$ 220,245</u>	<u>\$ 355,651</u>	<u>\$ 286,785</u>

**CITY OF SHADY COVE  
JACKSON COUNTY, OREGON**

**INDEPENDENT AUDITOR'S COMPLIANCE REPORT**



1976 Garden Ave.  
Eugene, OR 97403  
541.342.5161  
www.islercpa.com

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *MINIMUM STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS***

Honorable Mayor and Members of the City Council  
City of Shady Cove, Oregon

We have audited the basic financial statements of the City of Shady Cove, Oregon ("City") as of and for the year ended June 30, 2021, and have issued our report thereon dated April 13, 2024. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

**Compliance**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

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

In connection with our testing, nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations except as noted below.

1. As described in Note 10 of the City's financial statements, the results of testing indicated two instances of non-compliance related to excess expenditures over appropriations.
2. We could not verify that the budget was properly published.
3. A material weakness in internal controls was noted as a result of audit procedures performed.

**OAR 162-10-0230 Internal Control**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We noted one significant deficiency as a result of our testing. Additional information regarding this matter will be communicated to the management of the City and the Mayor and City Council in a management letter issued in accordance with AU-C 265 *Communicating Internal Control Related Matters Identified in an Audit*.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report is intended solely for the information and use of management, the Honorable Mayor and Council, and the Secretary of State, Audits Division, of the State of Oregon. However, this report is a matter of public record and its distribution is not limited.

ISLER CPA

A handwritten signature in black ink that reads "Paul R. Nielson". The signature is written in a cursive, flowing style.

by: Paul R Nielson CPA, a member of the firm

Eugene, Oregon  
April 13, 2024