

SCA Talking Points For Shady Cove USDA Sewer Bond & LGIP Investment Account

Disclaimer.

The information contained in this document represents the opinions and conclusions of the Shady Cove Advocates (SCA). Readers of this document are encouraged to draw their own independent conclusions. Where possible, SCA has cited published online documents provided on the City of Shady Cove’s website.

SCA welcomes respectful input from members of the community and will adjust and correct this document as more information becomes available.

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PURPOSE AND OVERVIEW.

This document is intended to provide an overview and background information supporting SCA’s Goal to Promote Transparency in City Finances, Audit Findings and Municipal Water Acquisition. Specifically, this document provides background information on Shady Cove City finances related to the City’s USDA Sewer Bond & Local Government Investment Pool (LGIP) assets.

1. Lack of Transparency Regarding Bond funds & Available Monies in SC's LGIP Investment Fund

SCA is aware that the City has an investment account (LGIP) that is currently estimated to be valued at over \$2,200,000, generating interest revenues estimated at over \$110,000 yearly. Our current understanding is that at some point between 2020 and 2025, the City acquired funds in the range of \$1.5M – \$1.7M dollars. It is our understanding that these funds are not considered to be part of the American Rescue Plan funds that Shady Cove received during Covid, rather it appears these funds may be part of unused revenues from a refinancing of a USDA sewer bond in 2018. SCA understands that monies in this fund may be unavailable until the pending audits from Fiscal Years 2022-23, 2023-24 and 2024-25 are completed.

Per the City's online 2025-2026 budget documents and artifacts, there is only a brief mention of LGIP in the published agenda for the May 13th, 2025 final budget committee meeting. (See the online budget worksheet (<https://shadycove.org/wp-content/uploads/2025/05/FINAL-BUDGET-25-26.pdf>)). The online document, on page 7 under line item 10-36-1000 "other revenue", indicates the City earned approximately ~95K in interest from LGIP in the 2024-2025 fiscal year, and has budgeted for revenues of ~100K in interest from the LGIP account for fiscal year 2025. Based on publicly available 2024/2025 short-term interest rate data from the State of Oregon, the LGIP principal balance would have to be almost \$2.6M in order to earn that much in interest. Pass-through revenues from RVSS weren't included in the LGIP for the 2024-2025 prior fiscal year, and projected RVSS pass-through revenues of \$876K in the 2025 – 2026 budget wouldn't seem to account for the large revenue from interest. As far as the SCA is aware, all American Rescue Plan funds have been spent.

The existence of this fund appears to have been a closely held secret for several years. During a town hall meeting at the URCC in April 2024, commenting on the audits for 2021 and 2022, former Mayor Jon Ball stated *"We have a unique issue with our books we have an issue where we have money we can't explain where it came from. It's not that money is disappearing, it's multiplying."*

Source: [Shady Cove Town Hall, Sheriff's Contract, Safety Fees & Budget Items Tuesday, April 9 - City of Shady Cove, Oregon](#) (see recording between 17 and 18 minute mark).

SCA understands that when the City Administrator was hired in May 2024 (well after the meeting cited above), she became concerned about large balances in a bank account that exceeded FDIC insurance limits. It is believed the funds were subsequently transferred into the Oregon Local Government Investment Pool (LGIP) on behalf of the City sometime after May 2024.

2. Further Research

During our research, we discovered a copy of a USDA bond refinancing document dating from 2018. The document was authored by former City Administrator Aaron Prunty and at some point was apparently approved by the City Council.

We found the RVSS FY26 budget summary for Shady Cove which indicates RVSS has a \$1.75M loan (50% forgiven) . Debt service on that loan is \$126K, which matches the debt service on the 2018 USDA bond refinancing information, and also matches the Shady Cove 2025-2026 budget.

We also found a July 2019 Shady Cove Insider Newsletter, which includes a section where Mayor Lena Richardson discusses the final stages of the transfer of control of the Shady Cove Sewer System to RVSS. In that newsletter, she noted that the activities include *"paying off sewer debt, transfer of sewer maintenance reserves*

and collection/transfer of sewer fees.” Source: <https://shadycove.org/wp-content/uploads/2019/07/July-2019-INSIDER-Newsletter-1.pdf>

We estimate the outstanding balance of the USDA bond is somewhere in the range of \$1M; it is now being fully paid for by RVSS.

For Q3/24 we found a publicly available City Council report posted on the City’s website, provided by Administrator Parry on the City’s financials, which indicated that the LGIP balance in October 2024 was approximately \$2.9M.

Source: <https://shadycove.org/wp-content/uploads/2024/09/10172024-CC-Agenda-and-PacketwoJuly.pdf>

Category	
Shady Cove LGIP Accounts:	
July 31, 2024 Closing Balance of	\$2,944,853.67
August 31, 2024 Closing Balance of	\$2,917,694.18
September 31, 2024 Closing Balance of	\$2,879,348.03
Balance variances are from the monthly RVSS utility pass through per the contract between the City of Shady Cove and RVSS.	
Statements for the City of Shady Cove LGIP can be emailed or printed upon request.	

For Q4/24 we found another publicly available City Council report posted on the City’s website, provided by Administrator Parry on the LGIP account, which indicated that its balance at year-end was approximately \$2.3M. The difference between the prior report and this one is likely due to the spending of American Rescue Plan money on the new park.

Source: <https://shadycove.org/wp-content/uploads/2024/12/q2-R3.pdf>

City of Shady Cove			
Q2 for the three months October 2024 to December 2024			
50% of the fiscal year has elapsed.			
Chase	Bank Balance	\$ 635,198.90	\$3221.48 deposit
LGIP	Balance	\$ 2,266,631.40	no pending activity
		\$ 2,901,830.30	

The Isler CPA Auditors report for FY 2021-2022 (completed in March 2025) also lists a sum of approximately \$1.7M as “Unavailable revenue – RVSS”. We believe this may reference the City’s earlier distribution of USDA bond refinancing monies. Refer to <https://shadycove.org/wp-content/uploads/2025/01/03062025-CC-Agenda-and-Packet-v3.pdf>, page 44 for further information.

DEFERRED INFLOWS OF RESOURCES

Unavailable revenue - RVSS	1,690,000	-	-	1,690,000
Unavailable revenue - property taxes	11,286	-	-	11,286
Total deferred inflows of resources	1,701,286	-	-	1,701,286

Screenshot - Isler CPA Audit Report, March 6th Council Packet page 44

Isler CPA further discussed the RVSS bond on page 54 of the same Council Packet, per the excerpt below.

5. LONG-TERM DEBT

At June 30, 2022, 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, 2022:

	Balance 7/1/2021	Additions	Deletions	Balance 6/30/2022	Due Within One Year	Long-Term Portion
Governmental Activities						
Sewer bond	\$ 1,755,000	\$ -	\$ (65,000)	\$ 1,690,000	\$ 65,000	\$ 1,625,000
Bond premiums	12,647	-	(665)	11,982	665	11,317
Total	<u>\$ 1,767,647</u>	<u>\$ -</u>	<u>\$ (65,665)</u>	<u>\$ 1,701,982</u>	<u>\$ 65,665</u>	<u>\$ 1,636,317</u>

Screenshot - Isler CPA Audit Report, March 6th Council Packet page 54

Concern. We can find no direct mention of the current funds associated with the USDA bond in the numeric line items in Shady Cove's latest published budget resolution for 2025-2026 – it's simply not represented. Perhaps that is because it's being treated as an asset, instead of treated as unavailable revenue. However, buried in a footnote to the City's Signed Budget Resolution for 2025-2026 ([Resolution-25-10-Signed.pdf](#)) is a line item that says a historical SEWER DEBT RESERVE fund is being retired. The actual balance isn't noted, it's simply to be transferred to the general fund.

BE IT RESOLVED the Shady Cove Budget Committee and City Council hereby retires Fund 04, titled SEWER DEBT RESERVE (for historical purposes only), due to the consolidation of capital planning functions within other designated capital and departmental funds. Any remaining balances in Fund 04 shall be transferred to the General Fund 10, as deemed appropriate by the City Administrator and approved by the City Council; and,

Excerpt of footnotes to City FY2025-2026 Budget, page 2

The puzzling footnote appears only in the final budget resolution approved on June 6th after the public hearing. The footnote was not included in prior Budget Commission published materials, including the final approved budget documents from the budget commission on May 13th, 2025.

3. Tentative Conclusions and Key Questions

The following conclusions are based on the available information. What seems to have happened is that in mid-2018 Shady Cove's City manager (approved by Council) initiated a re-financing of the City's existing USDA bond. It appears this is the original source of the \$1.7M in funds that is now in the LGIP account. At some point in the negotiations over transfer of the Shady Cove sewer plant, RVSS agreed to pay the outstanding bond debt on the plant. Since then, RVSS has been making "pass-through" payments to Shady Cove, which are used to continue making payments on the USDA bond. The USDA bond debt service runs through 2040, according to available documentation we can find.

The significant delays in completing audits since the close of FY2021 – 2022 have likely contributed to a murky understanding of this funding source.

At this point, it appears (based on the footnote in the FY25-26 budget) the only roadblock for the City Council to allocate these funds in any way they see fit is for the City Administrator to deem the use appropriate.

The key questions are...

- Is Fund 04 SEWER DEBT RESERVE the repository of funds from the unspent USDA bond money?
- What happened to any existing (unspent) monies provided to Shady Cove during the USDA bond refinancing?
- How are the bond monies (now in the LGIP) to be reported and audited in Shady Cove's financial statements for FY2022-23, FY2023-24 and FY2024-25?
- What restrictions (if any) currently exist on the usage and disbursement of monies and on interest earned?

4. Concerns and Speculation

Residents have been solemnly told that the City is almost broke and we must "live within our means" while a subset of our leaders appear to have known about monies that could *potentially* be brought to benefit the City if they are truly free and clear to use.

We speculate (admittedly without evidence) that the secrecy around these assets was because they were intended to be earmarked for a specific City project, possibly for water.

We speculate (again admittedly without evidence) that what appears to be orchestrated retaliation against the City Administrator is caused in part by her attempts to surface the assets to the Auditors, full City Council, and Budget Committee membership.