

**CITY OF SHADY COVE, OREGON**  
**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2014**  
**WITH**  
**INDEPENDENT AUDITOR'S REPORTS**

**CITY OF SHADY COVE, OREGON**

**Year Ended June 30, 2014**

**ELECTED OFFICIALS OF THE CITY OF SHADY COVE, OREGON**

Tom Anderson P.O. Box 1210 Shady Cove, Oregon 97539	Mayor
Tom Sanderson P.O. Box 1210 Shady Cove, Oregon 97539	Councilor
Jim Ulrich P.O. Box 1210 Shady Cove, Oregon 97539	Councilor
Leith Hayes P.O. Box 1210 Shady Cove, Oregon 97539	Councilor
Gary Hughes P.O. Box 1210 Shady Cove, Oregon 97539	Councilor

**ADMINISTRATION**

Aaron Prunty, effective April 17, 2014 P.O. Box 1210 Shady Cove, OR 97539	City Administrator
Danise Brakeman, resigned effective September 30, 2013 P.O. Box 1210 Shady Cove, Oregon 97539	City Administrator

**ADDRESS**

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

**CITY OF SHADY COVE, OREGON**

**Year Ended June 30, 2014**

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**CITY OF SHADY COVE, OREGON**

**Year Ended June 30, 2014**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Council  
City of Shady Cove  
Shady Cove, OR 97539

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Shady Cove, Oregon, as of and for the year ended June 30, 2014, 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 presentation 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. According, 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Shady Cove as of June 30, 2014, and the respective changes in financial position, and where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Honorable Mayor and Council  
City of Shady Cove

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and certain budgetary comparison information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires 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 management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The major governmental funds 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 major governmental funds budgetary comparison information are 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 of Shady Cove's basic financial statements. The other supplementary information and other financial schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information and other financial schedules are the responsibility of management and were 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 other supplementary information and other financial schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Change in Accounting Principle*

As discussed in note 17 to the financial statements, in 2014 the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Honorable Mayor and Council  
City of Shady Cove

**Other Reporting Required by Oregon State Regulations**

In accordance with Oregon State Regulation, we have also issued our report dated November 7, 2014, on our consideration of the City of Shady Cove's compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 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.

*Stewart C. Parmele, CPA, Partner*

Stewart C. Parmele, CPA, Partner  
KDCO Piels Certified Public Accountants, LLP  
Medford, Oregon  
November 7, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Fiscal Year Ended June 30, 2014

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, 2014. 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.

### FINANCIAL HIGHLIGHTS

- The City continued its contract with the Jackson County Sheriff's department during the year. Under the terms of the contract, the City reported expenditures of approximately \$414 thousand during the current year.
- In the **government-wide statements**, the City's assets totaled \$8.73 million at June 30, 2014 consisting of \$6.66 million in capital assets, \$1.85 million in cash and investments, and approximately \$207 thousand in receivables and deposits. Capital assets, net of accumulated depreciation decreased by approximately \$285 thousand in the current year. Cash and investment balances increased by approximately \$317 thousand from the prior year.
- In the **government-wide statements**, the City's liabilities totaled \$3.68 million at June 30, 2014 consisting of \$3.51 million in long-term debt, including the current portion, and approximately \$170 thousand in accounts payable and other current liabilities.
- **Government-wide** net position (assets minus liabilities) totaled \$5.05 million at June 30, 2014 of which \$3.123 million was the net investment in capital assets, approximately \$1.09 million was restricted, and approximately \$807 thousand was considered unrestricted. In the prior year, net assets totaled \$4.50 million, of which \$3.00 million was invested in capital assets net of related debt, approximately \$1.05 million was restricted, and approximately \$438 thousand was considered unrestricted.
- In the **government-wide statements**, the City generated program revenues of \$1.29 million from its governmental and business activities. Direct expenses of all programs totaled \$1.75 million. General revenues which include taxes, franchise fees and investment income totaled approximately \$703 thousand. In the prior year the City generated program revenues of \$1.96 million from its governmental and business activities. Direct expenses of all programs totaled \$1.99 million. General revenues which include taxes, franchise fees and investment income totaled approximately \$660 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 are Required Supplementary Information, which consists of the major governmental funds, Other Supplementary Information, which provides budgetary comparisons, and the combining non-major enterprise fund schedules. Finally, completing the document



is a series of other financial schedules, and three 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 of the City (including infrastructure) as well as all liabilities (including long-term debt). Net position is the difference between assets and liabilities, 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.

The government-wide financial statements distinguish programs/functions of the City that are governmental (principally supported by taxes and intergovernmental revenues) to those that are business-type (intended to recover all or a significant portion of their costs through user fees and charges).

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.
- Police department - includes public safety.
- Parks department - includes maintenance of the City's parks and playgrounds.
- Highways and streets - includes the City's street maintenance operations, street and local improvement construction and the City's engineering activities.

Business-type activities include the following:

- Wastewater

### 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 and proprietary 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 two governmental funds: General Fund, and Street Fund. The governmental funds have all been reported separately as major funds.

**Proprietary Funds.** Proprietary funds are used to account for activities supported by user charges and where the emphasis is on net income. The City uses enterprise funds to account for its sewer operations. The City does not provide water services, as residents receive their water from well systems. The Sewer Operations, Sewer Bonded Debt Fund, and SDC Fund are presented separately as the major funds in the proprietary fund financial statements. Two nonmajor funds are combined and presented in a single column as other enterprise funds.

### 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 exceeded liabilities by \$5.00 million at June 30, 2014. Net position for governmental activities totaled approximately \$427 thousand while net position for business-type activities totaled \$4.57 million.

	<u>June 30, 2014</u>		<u>June 30, 2013</u>	
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Capital assets, net	\$ 162,525	\$ 6,503,131	\$ 193,682	\$ 6,679,706
Current & other assets	382,457	1,683,655	230,036	1,539,298
<b>Total assets</b>	<b><u>\$ 544,982</u></b>	<b><u>\$ 8,186,786</u></b>	<b><u>\$ 423,718</u></b>	<b><u>\$ 8,219,004</u></b>
Long term debt	\$ -	\$ 3,513,492	\$ -	\$ 3,671,990
Other Liabilities	117,311	51,663	113,136	49,619
<b>Total liabilities</b>	<b><u>\$ 117,311</u></b>	<b><u>\$ 3,565,155</u></b>	<b><u>\$ 113,136</u></b>	<b><u>\$ 3,721,609</u></b>
Net Investment in capital assets	\$ 162,525	\$ 2,989,639	\$ 179,817	\$ 3,007,716
Restricted	1,681	1,088,668	-	1,051,508
Unrestricted	263,465	543,324	130,765	438,171
<b>Total net position</b>	<b><u>\$ 427,671</u></b>	<b><u>\$ 4,621,631</u></b>	<b><u>\$ 310,582</u></b>	<b><u>\$ 4,497,395</u></b>

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 \$241 thousand from the prior year as revenues exceeded expenditures/expenses. The largest portion of the City's net position, 61.48 percent, is invested in capital assets, 16.71 percent is unrestricted, and 21.80 percent is restricted for system development or debt service.

Analysis of Changes in Net Position

The City's Statement of Activities for fiscal year ended June 30, 2014 follows:

	June 30, 2014		June 30, 2013	
	Governmental Activities	Business Type Activities	Governmental Activities	Business Type Activities
<b>Revenues</b>				
Program revenues:				
Charges for services	\$ 355,316	\$ 930,953	\$ 368,188	\$ 916,076
Operating grants	-	-	19,209	-
General revenues:				
Property taxes for General	122,797	-	113,036	-
Property taxes for Debt	-	79,410	-	84,271
State revenue sharing	71,628	-	69,035	-
Intergovernmental	168,108	-	159,458	-
Franchise fees	229,584	-	215,326	-
Earnings on investments	738	7,399	2,901	5,107
Other	6,803	16,670	11,243	-
Transfers	-	-	7,051	(7,051)
Total revenues	<u>954,974</u>	<u>1,034,432</u>	<u>965,447</u>	<u>998,403</u>
<b>Expenses</b>				
Administrative	294,168	-	437,614	-
Public Safety	414,117	-	398,111	-
Parks	6,306	-	6,055	-
Highways and streets	123,294	-	188,268	-
Wastewater	-	910,196	-	958,043
Total expenses	<u>837,885</u>	<u>910,196</u>	<u>1,030,048</u>	<u>958,043</u>
Change in net position	117,089	124,236	(64,601)	40,360
Beginning net position, as restated	<u>310,582</u>	<u>4,497,395</u>	<u>375,183</u>	<u>4,457,035</u>
Ending net position	<u>\$ 427,671</u>	<u>\$ 4,621,631</u>	<u>\$ 310,582</u>	<u>\$ 4,497,395</u>

**Governmental Activities**

Governmental activities increased the City's net position by approximately \$117 thousand. Governmental revenues totaled \$955 thousand and consisted primarily of property taxes of approximately \$122 thousand, charges for services of approximately \$355 thousand, intergovernmental revenue of approximately \$168 thousand, and franchise fees of approximately \$229 thousand.

As discussed earlier, the City's governmental activities are categorized into the following programs: General government; Police department; Parks department; and Highways and streets. 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.

### **Business-Type Activities**

Business-type activities increased the City's net position by approximately \$124 thousand. Charges for services which totaled approximately \$931 thousand are comprised of wastewater service and system development charges. Business-type activities are to be self supporting where revenues are expected to cover expenses.

Total expenses for wastewater operations were approximately \$910 thousand; of this, approximately \$348 thousand represented depreciation expense and approximately \$145 thousand represented interest expense. Revenues for wastewater operations must be generated not only for expenses but for capital assets and principal payments on long-term debt as well. Capital assets and principal payments on long-term debt are not reported as direct expenses but are reported as additions to assets and reductions to liabilities, respectively, on the Statement of Net Position.

### **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 governmental funds reported by the City include the General Fund, and Street Fund, both of which are major funds.

At the end of the current year, the City's governmental funds had combined ending fund balances of approximately \$260 thousand, an increase of approximately \$125 thousand from the prior year's fund balances of approximately \$135 thousand. Revenues totaled \$1.01 million while expenditures which include current, capital outlay and debt service expenditures totaled \$887 thousand.

The ending fund balances of approximately \$260 thousand is comprised of approximately \$1.7 thousand that is restricted by Oregon Revised Statutes for foot paths or bike paths, approximately \$7 thousand in fund balance committed for future bike paths, approximately \$62.3 thousand assigned to future Street Fund obligations, and approximately \$189 thousand 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 \$189 thousand up nearly \$64 thousand from the previous year's calculated unassigned fund balance. Fund balance increased by approximately \$61 thousand in the Street Fund.

## Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but more in detail.

Total net position of the Proprietary Funds at the end of the year amounted to nearly \$4.57 million. This was comprised of unrestricted net position of approximately \$543 thousand, restricted net position of approximately \$1.09 million, and \$2.91 million net investment in capital assets. The decrease in net position of the Sewer Operations Fund was approximately \$151 thousand. This is an improvement over the prior year's decrease of approximately \$195 thousand.

Other factors concerning the finances of the proprietary funds can be found in the previous discussion of the City's business-type activities.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The adopted budget of the General Fund was not modified during the current fiscal year.

## **CAPITAL ASSETS**

As of June 30, 2014 the City had invested \$6.59 million in capital assets, net of depreciation as reflected in the following table, which represents a net decrease (additions, deductions, adjustments and depreciation) of approximately \$285 thousand.

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Land	\$ 34,542	\$ 58,403	\$ 92,945
Construction in Progress	-	76,226	76,226
Buildings and improvements	111,761	-	111,761
Machinery and equipment	16,222	60,149	76,371
Infrastructure	-	6,308,353	6,308,353
Total	<u>\$ 162,525</u>	<u>\$ 6,503,131</u>	<u>\$ 6,665,656</u>

Major events affecting capital assets for fiscal year 2014 are as follows:

- The City, through Rogue Valley Sewer Services District, completed two projects at Pump Station #1 and Pump Station #2 for approximately \$96 thousand.
- The City, through Rogue Valley Sewer Services District, has several projects that are classified as Construction in Progress.
- The City transferred approximately \$13 thousand of equipment from the Street Fund, purchased in the prior year, to the SDC Fund, and is noted in the Financials as an adjustment.

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

## DEBT ADMINISTRATION

As of year-end, the City had \$3.51 million in long-term debt outstanding compared to \$3.67 million in the previous year. Principal payments on long-term debt were approximately \$158 thousand. All outstanding debt at year-end is reported in the business-type fund section, and is comprised of the following:

General Obligation Bonds	\$ 475,000
Sewer Bond # 1	2,140,244
OECD Note Payable # 1	242,105
Clean Water State Revolving Fund Note	<u>656,143</u>
Total	<u>\$ 3,513,492</u>

### 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 2014 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

Development is improving slowly with an increase in development and building permits. The largest private water system, previously bank-owned, has been sold to a private company which has been very active with public outreach and expansion. It is expected this will spur growth and possibly lower insurance rates in certain areas of the City.

The City continues to rely heavily on tourism, generating revenue through transient occupancy and raft taxes. The City is also evaluating whether to allow vacation rentals in certain residential zones which may slightly increase the amount of transient occupancy taxes collected.

We anticipate gas tax revenue will decrease due to more fuel-efficient vehicles and alternative fuels. Fuel options have increased to include electric and compressed natural gas, which does not pay into State gas tax and has a direct impact on the revenue we receive. This may have a negative impact on overall gas tax revenue collected.

The City's population is expected to increase very modestly due to the effects of the national economy, the lack of a municipal water system, and the burden of highly regulated floodplain properties within the City. This limits the City's ability to collect System Development Charges and other fees for service.

The City's permanent property tax rate of 54.7 cents per thousand is one of the lowest in the region and fails to generate 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.

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

The City has had significant employee turnover in the last year; a finance clerk, municipal court clerk, public works employee and city administrator. Due to the number of new employees, an emphasis has been placed on training in planning, floodplain and municipal finance. This has included national floodplain and planning conferences and third-party financial software training. The City continues to work on raising the level of service provided to the community.

The City continues to work under the ODOT Transportation Enhancement grant to upgrade Hwy 62, which is scheduled for construction in 2015-2016. An Oregon Parks and Recreation Grant was obtained for restroom improvements at Aunt Caroline's Park. Engineering has begun on the project and construction is anticipated to be complete in March 2015.

It is anticipated that:

- The City will continue in good standing with the Federal Emergency Management Agency and the National Flood Insurance Program due to floodplain compliance enforcement and staff training;
- We will maintain a strong relationship with Oregon Department of Transportation as the Hwy 62 Transportation Enhancement project progresses;
- The cost of law enforcement may increase slightly;
- Costs for services will need to be closely monitored in order to identify possible increases that may exceed generated revenue.
- We will continue to offer a high level of service to the community.

Highlights of Prior Fiscal Year

- ✓ A new law enforcement services contract with Jackson County Sheriff was approved;
- ✓ A one-year Union contract was approved;
- ✓ City Council updated the Capital Improvement Projects list;
- ✓ Entered into an agreement with FCS Group for SDC Methodology consulting services.

## **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, 2014**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
Cash and investments	\$ 281,889	\$ 492,825	\$ 774,714
Receivables, net	90,956	100,385	191,341
Taxes receivables	9,612	6,470	16,082
Restricted cash and investments	-	1,083,975	1,083,975
Capital assets, net:			
Land	34,542	58,403	92,945
Construction-in-progress	-	76,226	76,226
Buildings and improvements	111,761	-	111,761
Machinery and equipment	16,222	60,149	76,371
Infrastructure	-	6,308,353	6,308,353
<b>TOTAL ASSETS</b>	<b>544,982</b>	<b>8,186,786</b>	<b>8,731,768</b>
<b>LIABILITIES:</b>			
Accounts payable	101,005	1,777	102,782
Payroll taxes and benefits payable	478	175	653
Accrued compensated absences	4,439	-	4,439
Accrued interest payable	-	42,244	42,244
Unearned revenue	11,389	7,467	18,856
Long-term liabilities:			
Due within one year	-	163,461	163,461
Due in more than one year	-	3,350,031	3,350,031
<b>TOTAL LIABILITIES</b>	<b>117,311</b>	<b>3,565,155</b>	<b>3,682,466</b>
<b>NET POSITION:</b>			
Net investment in capital assets	162,525	2,989,639	3,152,164
Restricted	1,681	1,088,668	1,090,349
Unrestricted	263,465	543,324	806,789
<b>TOTAL NET POSITION</b>	<b>\$ 427,671</b>	<b>\$ 4,621,631</b>	<b>\$ 5,049,302</b>

**CITY OF SHADY COVE  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Fines, Fees, and Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental activities:</b>						
General government						
Administrative	\$ 294,168	\$ 84,873	\$ -	\$ (209,295)	\$ -	\$ (209,295)
Police department	414,117	270,443	-	(143,674)	-	(143,674)
Parks department	6,306	-	-	(6,306)	-	(6,306)
Highways and streets	123,294	-	-	(123,294)	-	(123,294)
Total government activities	837,885	355,316	-	(482,569)	-	(482,569)
<b>Business-type activities:</b>						
Water/Wastewater	910,196	930,953	-	-	20,757	20,757
Total business-type activities	910,196	930,953	-	-	20,757	20,757
Total Common City	<u>\$ 1,748,081</u>	<u>\$ 1,286,269</u>	<u>\$ -</u>	<u>(482,569)</u>	<u>20,757</u>	<u>(461,812)</u>
General revenues:						
Property taxes levied for general purposes				122,797	-	122,797
Property taxes levied for debt service				-	79,410	79,410
State subventions				71,628	-	71,628
Intergovernmental				168,108	-	168,108
Franchise taxes				229,584	-	229,584
Earnings on investments				738	7,399	8,137
Other				6,803	16,670	23,473
Total general revenues				599,658	103,479	703,137
<b>CHANGE IN NET POSITION</b>				117,089	124,236	241,325
<b>Net position - Beginning of Year</b>				310,582	4,497,395	4,807,977
<b>Net position - End of Year</b>				<u>\$ 427,671</u>	<u>\$ 4,621,631</u>	<u>\$ 5,049,302</u>

**FUND FINANCIAL STATEMENTS**

**CITY OF SHADY COVE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	<u>General Fund</u>	<u>Street Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 224,047	\$ 57,842	\$ 281,889
Receivables - net	77,837	13,119	90,956
Taxes receivable	9,612	-	9,612
<b>TOTAL ASSETS</b>	<u>\$ 311,496</u>	<u>\$ 70,961</u>	<u>\$ 382,457</u>
<b>LIABILITIES</b>			
Liabilities:			
Accounts payable	\$ 101,005	\$ -	\$ 101,005
Payroll taxes and benefits payable	309	169	478
Unearned revenue	11,389	-	11,389
<b>TOTAL LIABILITIES</b>	112,703	169	112,872
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	9,612	-	9,612
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<u>122,315</u>	<u>169</u>	<u>122,484</u>
Fund Balances:			
Restricted - foot/bike path	-	1,681	1,681
Committed - bike path	-	6,814	6,814
Assigned	-	62,297	62,297
Unassigned	189,181	-	189,181
Total fund balances	<u>189,181</u>	<u>70,792</u>	<u>259,973</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<u>\$ 311,496</u>	<u>\$ 70,961</u>	<u>\$ 382,457</u>

**CITY OF SHADY COVE  
RECONCILIATION OF GOVERNMENTAL FUNDS  
BALANCE SHEET TO STATEMENT OF NET POSITION  
JUNE 30, 2014**

<b>TOTAL FUND BALANCES</b>		\$ 259,973
<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	\$ 336,547	
Accumulated depreciation	<u>(174,022)</u>	162,525
<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>		
		9,612
<p>Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. This liability is compensated absences payable.</p>		
		<u>(4,439)</u>
<b>TOTAL NET POSITION</b>		<u><u>\$ 427,671</u></u>

**CITY OF SHADY COVE  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014**

	<u>General Fund</u>	<u>Street Fund</u>	<u>Total</u>
<b>REVENUES</b>			
Property taxes	\$ 121,737	\$ -	\$ 121,737
State subventions	71,628	-	71,628
Franchise taxes	229,584	-	229,584
City fees	83,848	-	83,848
Administrative fees	58,156	-	58,156
Municipal court	20,557	-	20,557
Public safety fee	249,886	-	249,886
Floodplain permit fee	1,025	-	1,025
State highway revenue	-	168,108	168,108
Miscellaneous	4,738	2,065	6,803
Interest	576	162	738
	<u>841,735</u>	<u>170,335</u>	<u>1,012,070</u>
<b>TOTAL REVENUES</b>			
<b>EXPENDITURES</b>			
Current:			
General government	357,296	-	357,296
Public safety	414,117	-	414,117
Parks and recreation	6,306	-	6,306
Highways and streets	-	109,429	109,429
	<u>777,719</u>	<u>109,429</u>	<u>887,148</u>
<b>TOTAL EXPENDITURES</b>			
<b>NET CHANGE IN FUND BALANCE</b>	64,016	60,906	124,922
<b>FUND BALANCE, Beginning of Year</b>	<u>125,165</u>	<u>9,886</u>	<u>135,051</u>
<b>FUND BALANCE, End of Year</b>	<u>\$ 189,181</u>	<u>\$ 70,792</u>	<u>\$ 259,973</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, 2014**

<b>NET CHANGE IN FUND BALANCE</b>		\$ 124,922
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
Capital assets transferred from a Governmental Fund to an Business-type activity		(13,865)
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 expense. This is the net amount by which capital outlays exceeded depreciation in the current period.		
Expenditures for capital assets	\$ -	
Less current year depreciation	<u>(17,292)</u>	(17,292)
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.		22,264
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.		1,060
		<u>117,089</u>
<b>CHANGE IN NET POSITION</b>		<u>\$ 117,089</u>



**CITY OF SHADY COVE  
STATEMENT OF NET POSITION  
ENTERPRISE FUNDS  
JUNE 30, 2014**

	Sewer Operations Fund	Sewer Bonded Debt Fund	SDC Fund	Other Enterprise Funds	Total
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 340,956	\$ -	\$ -	\$ 151,869	\$ 492,825
Receivables, net	100,385	-	-	-	100,385
<b>Total current assets</b>	<u>441,341</u>	<u>-</u>	<u>-</u>	<u>151,869</u>	<u>593,210</u>
Noncurrent assets:					
Restricted cash and investments	335	11,736	909,835	162,069	1,083,975
Restricted receivables - taxes	-	6,470	-	-	6,470
Land	58,403	-	-	-	58,403
CIP	-	-	47,005	29,221	76,226
Machinery and equipment, net	60,149	-	-	-	60,149
Infrastructure, net	5,478,706	-	510,609	319,038	6,308,353
<b>Total noncurrent assets</b>	<u>5,597,593</u>	<u>18,206</u>	<u>1,467,449</u>	<u>510,328</u>	<u>7,593,576</u>
<b>TOTAL ASSETS</b>	<u>6,038,934</u>	<u>18,206</u>	<u>1,467,449</u>	<u>662,197</u>	<u>8,186,786</u>
<b>LIABILITIES AND NET ASSETS</b>					
Current liabilities:					
Accounts payable	-	-	1,777	-	1,777
Accrued payroll liabilities	175	-	-	-	175
Unearned revenue	7,467	-	-	-	7,467
Accrued interest payable	42,244	-	-	-	42,244
Bonds and notes payable	100,461	63,000	-	-	163,461
<b>Total current liabilities</b>	<u>150,347</u>	<u>63,000</u>	<u>1,777</u>	<u>-</u>	<u>215,124</u>
Noncurrent liabilities:					
Bonds and notes payable	2,938,031	412,000	-	-	3,350,031
<b>TOTAL LIABILITIES</b>	<u>3,088,378</u>	<u>475,000</u>	<u>1,777</u>	<u>-</u>	<u>3,565,155</u>
Net Position:					
Net investment in capital assets	2,558,766	(475,000)	557,614	348,259	2,989,639
Restricted	335	18,206	908,058	162,069	1,088,668
Unrestricted	391,455	-	-	151,869	543,324
<b>TOTAL NET POSITION</b>	<u>\$ 2,950,556</u>	<u>\$ (456,794)</u>	<u>\$ 1,465,672</u>	<u>\$ 662,197</u>	<u>\$ 4,621,631</u>

**CITY OF SHADY COVE  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
ENTERPRISE FUNDS  
YEAR ENDED JUNE 30, 2014**

	Sewer Operations Fund	Sewer Bonded Debt Fund	SDC Fund	Other Enterprise Funds	Total Enterprise Funds
<b>OPERATING REVENUES</b>					
Charges for services	\$ 869,297	\$ -	\$ -	\$ -	\$ 869,297
Miscellaneous	2,805	-	-	-	2,805
<b>TOTAL OPERATING REVENUES</b>	<b>872,102</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>872,102</b>
<b>OPERATING EXPENSES</b>					
Personal services	66,744	-	-	-	66,744
Materials and services	349,923	-	793	-	350,716
Depreciation	289,514	-	40,271	18,793	348,578
<b>TOTAL OPERATING EXPENSES</b>	<b>706,181</b>	<b>-</b>	<b>41,064</b>	<b>18,793</b>	<b>766,038</b>
<b>OPERATING INCOME (LOSS)</b>	<b>165,921</b>	<b>-</b>	<b>(41,064)</b>	<b>(18,793)</b>	<b>106,064</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Taxes	-	79,410	-	-	79,410
Donation of capital asset	-	-	13,865	-	13,865
System development charges	-	-	61,656	-	61,656
Interest on investments	1,795	42	4,227	1,335	7,399
Interest expense	(130,914)	(13,244)	-	-	(144,158)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(129,119)</b>	<b>66,208</b>	<b>79,748</b>	<b>1,335</b>	<b>18,172</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>36,802</b>	<b>66,208</b>	<b>38,684</b>	<b>(17,458)</b>	<b>124,236</b>
Transfers (to) from other funds	(187,846)	-	-	187,846	-
<b>TOTAL TRANSFERS</b>	<b>(187,846)</b>	<b>-</b>	<b>-</b>	<b>187,846</b>	<b>-</b>
<b>CHANGES IN NET POSITION</b>	<b>(151,044)</b>	<b>66,208</b>	<b>38,684</b>	<b>170,388</b>	<b>124,236</b>
<b>NET POSITION, Beginning of Year</b>	<b>3,101,600</b>	<b>(523,002)</b>	<b>1,426,988</b>	<b>491,809</b>	<b>4,497,395</b>
<b>NET POSITION, End of Year</b>	<b>\$ 2,950,556</b>	<b>\$ (456,794)</b>	<b>\$ 1,465,672</b>	<b>\$ 662,197</b>	<b>\$ 4,621,631</b>

**CITY OF SHADY COVE  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
YEAR ENDED JUNE 30, 2014**

	Sewer Operations Fund	Sewer Bonded Debt Fund	SDC Funds	Other Enterprise Funds	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 866,622	\$ -	\$ -	\$ -	\$ 866,622
Payments to suppliers	(349,923)	-	(793)	-	(350,716)
Payments to employees	(67,005)	-	-	-	(67,005)
<b>Net cash provided (used) by operating activities</b>	<b>449,694</b>	<b>-</b>	<b>(793)</b>	<b>-</b>	<b>448,901</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Receipt of system development charges	-	-	61,674	-	61,674
Taxes	-	80,000	-	-	80,000
Principal paid on capital debt	(97,499)	(61,000)	-	-	(158,499)
Interest paid on capital debt	(132,358)	(13,244)	-	-	(145,602)
Transfers attributable to capital assets	(187,846)	-	-	187,846	-
Purchase and construction of capital assets	-	-	(31,361)	(125,000)	(156,361)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(417,703)</b>	<b>5,756</b>	<b>30,313</b>	<b>62,846</b>	<b>(318,788)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest and dividends	1,795	42	4,227	1,335	7,399
<b>Net increase (decrease) in cash and investments</b>	<b>33,786</b>	<b>5,798</b>	<b>33,747</b>	<b>64,181</b>	<b>137,512</b>
Cash balances - beginning of the year includes restricted cash of \$1,044,430	307,505	5,938	876,088	249,757	1,439,288
Cash balances - end of the year includes restricted cash of \$1,083,975	<u>\$ 341,291</u>	<u>\$ 11,736</u>	<u>\$ 909,835</u>	<u>\$ 313,938</u>	<u>\$ 1,576,800</u>

Continued on next page.

**CITY OF SHADY COVE  
STATEMENT OF CASH FLOWS (Continued)  
ENTERPRISE FUNDS  
JUNE 30, 2014**

<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	<b>Sewer Operations Fund</b>	<b>Sewer Debt Fund</b>	<b>SDC Fund</b>	<b>Other Enterprise Funds</b>	<b>Total</b>
Operating income (loss)	\$ 165,921	\$ -	\$ (41,064)	\$ (18,793)	\$ 106,064
Adjustments to reconcile operating income to cash provided by operating activities:					
Depreciation expense	289,514	-	40,271	18,793	348,578
Change in assets and liabilities:					
Receivables, net	(7,453)	-	-	-	(7,453)
Deferred revenue	1,973	-	-	-	1,973
Accounts and other payables	(261)	-	-	-	(261)
Net cash provided (used) by operating activities	<u>\$ 449,694</u>	<u>\$ -</u>	<u>\$ (793)</u>	<u>\$ -</u>	<u>\$ 448,901</u>

**NOTES TO BASIC FINANCIAL STATEMENTS**

**CITY OF SHADY COVE, OREGON**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

**Note 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 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.

**Operations**

The accounts of the City are organized on the basis of funds. Fund accounting is designed to demonstrate legal compliance and aid financial management by segregating government functions and activities. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund equities, revenues and expenditures (expenses).

The accompanying financial statements are the presentation of the City of Shady Cove, Oregon. 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 Department), parks, building and planning, public works (streets, storm drainage/facilities maintenance), and sanitary sewer collection and treatment (contract with Rogue Valley Sewer Services).

**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, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees charged to external parties for services.

**CITY OF SHADY COVE, OREGON**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

**Note 1 – Summary of Significant Accounting Policies (continued)**

The Statement of Activities presents the direct expenses of a given function/program or business-type activity and the related program revenues categorized into 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.

The government-wide financial statements are accounted for using an 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. Nonexchange transactions, in which the City receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the year for which the taxes are levied. Revenues from grants, entitlements and donations are recognized when all eligibility requirements have been satisfied. The effect of interfund activity within governmental activities or business-type activities such as transfers, advances and loans is eliminated.

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

**Fund Financial Statements**

The City uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance, and to aid financial management by segregating transactions related to certain functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into two categories: governmental and proprietary. Each category, in turn, is divided into separate funds. Fund financial statements are provided for governmental and proprietary fund types.

**Governmental Funds**

Governmental funds are used to account for most of the City's general activities, including the collection and disbursement of earmarked monies (special revenue 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.

The City considers property taxes available and susceptible to accrual if they are collected within sixty days after year-end.

**CITY OF SHADY COVE, OREGON**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

**Note 1 – Summary of Significant Accounting Policies (continued)**

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 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 deferred inflow of resources (unavailable revenue). Property taxes, which are held at year end by the collecting agency, Jackson County, and are remitted to the City within the 60-day period, are reported as "Taxes Receivable."

Licenses and permits, charges for services, fines and forfeits, and miscellaneous revenues (except investment earnings) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Special assessment installments that are long-term are offset by deferred revenues and, accordingly, are not recorded as revenue until collected.

Special assessments and loan repayments collected within 60 days after year end are considered measurable and available and are recognized as revenues.

The following are the City's major governmental funds:

- *General Fund* – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. Principal sources of revenue are property taxes, charges for services, and intergovernmental revenues. Primary expenditures of the General Fund are made for general government, public safety, cultural and recreation services. Effectively, all line and staff departments within the City, except those related to activity in Special Revenue Funds, are financed by the General Fund.
- *Street Fund* – This fund accounts for personnel costs and services made related to street rehabilitation. Principal sources of revenue are intergovernmental revenues.

**Proprietary Funds – Enterprise funds**

Proprietary funds can be separated into enterprise funds and internal service funds. All of the City's proprietary funds are enterprise funds. These funds account for the acquisition, operation and maintenance of the City facilities and services which are entirely self-supporting through service charges of customers. Services accounted for through enterprise funds are sewer operations and public facilities improvements.

Funds included in this category are the Sewer Operations Fund, Sewer Bonded Debt Fund, Sewer Reserve Fund, Sewer Operations Replacement Fund, and SDC Fund which include Transportation System Development (SDC) charges, Storm Drain SDC charges, Wastewater SDC charges, and the Parks & Recreation SDC charges.



**CITY OF SHADY COVE, OREGON**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

**Note 1 – Summary of Significant Accounting Policies (continued)**

The principal operating revenues are charges to customers. Operating expenses include cost of sales, debt service, capital outlay, administration expenses, and depreciation.

All proprietary funds are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the Statement of Net Position. The accrual basis of accounting is utilized by proprietary fund types where revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The following are the City's major enterprise funds:

- *Sewer Operations Fund* – This fund accounts for the maintenance, operation and construction of the City's wastewater collection and treatment system. Principal source of revenue is user fees.
- *Sewer Bonded Debt Fund* – This fund accounts for interest and principal payments on bonds issued for improvements to the wastewater system. The principal source of revenue is property taxes.
- *SDC Fund* – This fund accounts for the System Development Charges that are to be used for various infrastructure improvements under Transportation, Storm Drain, Wastewater, and Parks and Recreation.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial 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. The City currently does not have any items that qualify for reporting in this category.

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. The City has only 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.

The governmental funds report unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**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.

**CITY OF SHADY COVE, OREGON**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Pooled Cash and Investments**

The City maintains a common cash and investment pool for all City funds. All short-term, highly-liquid investments, including investments in the State Treasurer's Local Government Investment Pool (LGIP) where the remaining maturity at the time of purchase is one year or less, are stated at amortized cost, which approximates fair value. Investments with a remaining maturity at the time of purchase of more than one year are stated at fair value. Fair value is determined as the quoted market price if available otherwise the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties. 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.

For purposes of the Statement of Cash Flows, the proprietary fund types consider all highly liquid investments with a maturity date of three months or less when purchased to be cash equivalents.

**Property Taxes Receivable**

Ad valorem property taxes are levied on all taxable property as of January 1 preceding the beginning of the fiscal year. Property taxes become a lien on July 1 for personal property and real property. Property taxes are levied on July 1. Collection dates are November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

Uncollected property taxes are recorded on the Statement of Net Position. Uncollected taxes are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established.

**Accounts and Other Receivables**

Sewer service revenues are recorded as revenue in the proprietary fund type as earned. An allowance for doubtful accounts is considered necessary at June, 30, 2014 for delinquent charges for services and has been recorded. 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.

**Restricted Assets**

Certain resources have been required to be set aside for repayment of debt and for SDC projects and are classified as restricted assets on the Statement of Net Position because their use is restricted by external groups. The amount of \$1,083,975 reported in total in the Business-type funds has been required to be set aside for repairs and replacement to the sewer system, and, when necessary, for the purpose of making principal and interest payments on the bonds payable and for SDC projects not yet in progress.

**CITY OF SHADY COVE, OREGON**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

**Note 1 – Summary of Significant Accounting Policies (continued)**

**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 and right-of ways which are considered inexhaustible in nature and are not depreciated.

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

- Buildings and improvements                      20 to 50 years
- SDC Improvements                                20 years
- Machinery and equipment                      5 to 10 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**

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.

**Long-term Debt and Bond Issuance Costs**

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 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. The City has not incurred any amortizable costs related to the issuance of the long-term debt reported on the Statement of Net Position.

**CITY OF SHADY COVE, OREGON**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Net Position – Fund Balances**

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

1. *Net investment in capital assets* – Consists of net book value of all capital assets less the outstanding debt used to acquire, construct, or improve those assets.
2. *Restricted net position* – Consists of net assets with constraints placed on the use by either (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. *Unrestricted net position* – All other net assets that do not meet the definition of “restricted” and are not related to capital assets.

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.

**Appropriation and Budgetary Controls**

The City is subject to provisions of the Oregon Revised Statutes which set forth local budget procedures. A resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Appropriations are established by department in the General Fund, and by function (personal services, materials and services, capital outlay, debt service, transfers to other funds and contingency) in other funds.

The City Council may, however, approve additional appropriations for unexpected additional resources or 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.

**CITY OF SHADY COVE, OREGON**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

**Note 1 – Summary of Significant Accounting Policies (continued)**

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.

All budget amendments are subject to the limitations put forth in the Oregon Revised Statutes Chapters 294.305 through 394.565 (Oregon Budget Law). Budget amounts are as originally budgeted, or as amended by the City Council.

The City over-expended its budget authority in the SDC Fund in Materials and Services (\$793) and Capital Outlay (\$33,140).

**Note 2 – Cash and 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, 2014. 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, Oregon Revised Statutes require depository institutions to be in compliance with ORS 295.

For the fiscal year ended June 30, 2014, the carrying amounts of the City's deposits in various qualifying financial institutions were \$254,645 and the bank balances were \$240,690. All deposits are held in the name of the City. At June 30, 2014 the City's deposits were covered by federal depository and were deposited in an approved depository as identified by the State Treasury.

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.

Investments. The City of Shady Cove has invested funds in the State Treasurer's Oregon Short-term Fund Local Government Investment Pool during fiscal year 2014. The Oregon Short-term Fund is the local government investment pool for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). Local Government Investment Pool (LGIP) is an external investment pool managed by the State Treasurer's office, which allow governments within the state to pool their funds for investment purposes. The amounts invested in the pool are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form as defined by GASB statement No. 40. The LGIP is unrated.

**CITY OF SHADY COVE, OREGON**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

**Note 2 – Cash and 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.

Investments in the Oregon State Treasury LGIP are made under the provisions of ORS 194.180. These funds are held in the City's name and are not subject to collateralization requirements or ORS 295.015. Investments are stated at amortized cost, which approximated fair value.

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, certain commercial paper, and the State of Oregon Treasurer's Local Government Investment Pool. As of June 30, 2014 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.

As of June 30, 2014, the City had the following investments:

<u>Investment Type</u>	<u>Maturity</u>	<u>Percentage of Portfolio</u>	<u>Fair Value</u>
Local Government Investment Pool	1 day	100%	<u>\$ 1,633,165</u>

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	\$ 100
Demand Deposits	225,424
Investment - LGIP	<u>1,633,165</u>
	<u>\$ 1,858,689</u>

**CITY OF SHADY COVE, OREGON**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

**Note 2 – Cash and Investments (continued)**

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

	<u>Governmental</u> Activities	<u>Business-Type</u> Activities	<u>Total</u>
Cash and Investments	\$ 281,889	\$ 492,825	\$ 774,714
Restricted Cash	-	1,083,975	1,083,975
Total Cash and Investments	<u>\$ 281,889</u>	<u>\$ 1,576,800</u>	<u>\$ 1,858,689</u>

Restricted cash represents the cash balances of the Sewer Operations Fund, Sewer Bonded Debt Fund, Transportation SDC Fund, Storm Drain SDC Fund, Wastewater SDC Fund, and Parks & Recreation SDC Fund. These restricted cash balances are the result of enabling legislation that imposes legally enforceable limits on how property taxes and certain system development charges may be used. In addition, the Sewer Operations and Reserve Fund maintain loan reserve balances in accordance with debt agreements for Sewer Bond #1 and the Clean Water State Revolving Loan.

**Note 3 – Receivables**

Receivables are comprised of the following as of June 30, 2014:

<u>Governmental</u>		<u>Business-Type</u>	
General Fund:		Sewer Operation:	
Intergovernmental	\$ 9,888	Accounts receivable	\$ 111,494
Franchise fees	19,150	Allowance	<u>(11,109)</u>
Other	6,327		<u>100,385</u>
Public safety fee	42,472		
Property taxes	<u>9,612</u>		
	<u>87,449</u>		
Street Fund:		Sewer Debt Service:	
Intergovernmental	<u>13,119</u>	Property taxes - restricted	<u>6,470</u>
Total	<u>\$ 100,568</u>	Total	<u>\$ 106,855</u>

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.

**CITY OF SHADY COVE, OREGON**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

**Note 4 – Capital Assets**

The changes in capital assets for the year ended June 30, 2014, are as follows:

<b>Governmental Activities</b>	Balance 7/1/13	Additions	Disposals	Balance 6/30/14
Capital assets not being depreciated:				
Land	\$ 34,542	\$ -	\$ -	\$ 34,542
Construction in process	13,865	-	(13,865)	-
Total capital assets not being depreciated	48,407	-	(13,865)	34,542
Capital assets being depreciated:				
Buildings and improvements	274,967	-	-	274,967
Machinery and equipment	27,038	-	-	27,038
Total capital assets	302,005	-	-	302,005
Less accumulated depreciation for:				
Buildings and improvements	(150,433)	(12,773)	-	(163,206)
Machinery and equipment	(6,297)	(4,519)	-	(10,816)
Total accumulated depreciation	(156,730)	(17,292)	-	(174,022)
Total capital assets	145,275	(17,292)	-	127,983
Total capital assets, governmental activities, net	<u>\$ 193,682</u>	<u>\$ (17,292)</u>	<u>\$ (13,865)</u>	<u>\$ 162,525</u>

Depreciation expense for the year of \$17,292 was charged to administration.



**CITY OF SHADY COVE, OREGON**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

**Note 4 – Capital Assets (continued)**

	Balance 7/1/13	Adjustments	Additions	Disposals	Balance 6/30/14
<b>Business-type activities:</b>					
Capital assets not being depreciated:					
Land	\$ 58,403	\$ -	\$ -	\$ -	\$ 58,403
Construction-in-progress	-	13,865	62,361	-	76,226
	<u>58,403</u>	<u>13,865</u>	<u>62,361</u>	<u>-</u>	<u>134,629</u>
Total capital assets not being depreciated	58,403	13,865	62,361	-	134,629
Capital assets being depreciated:					
Machinery and equipment	301,670	-	-	-	301,670
Infrastructure Improvements	11,744,534	-	95,779	-	11,840,313
	<u>12,046,204</u>	<u>-</u>	<u>95,779</u>	<u>-</u>	<u>12,141,983</u>
Total capital assets being depreciated	12,046,204	-	95,779	-	12,141,983
Less accumulated depreciation for:					
Machinery and equipment	(231,533)	-	(9,988)	-	(241,521)
Infrastructure Improvements	(5,193,370)	-	(338,590)	-	(5,531,960)
	<u>(5,424,903)</u>	<u>-</u>	<u>(348,578)</u>	<u>-</u>	<u>(5,773,481)</u>
Total accumulated depreciation	(5,424,903)	-	(348,578)	-	(5,773,481)
Total capital assets being depreciated, net	6,621,301	-	(252,799)	-	6,368,502
Total capital assets, Business-type activities, net	<u>\$ 6,679,704</u>	<u>\$ 13,865</u>	<u>\$ (190,438)</u>	<u>\$ -</u>	<u>\$ 6,503,131</u>

Depreciation expense for the year was charged to the following programs:

<u>Program</u>	
Wastewater department	\$ 289,514
Infrastructure improvements	<u>59,064</u>
	<u>\$ 348,578</u>

**CITY OF SHADY COVE, OREGON**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

**Note 5 – 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 and proprietary funds report unearned revenues in connection with resources that have been received but not yet earned. At June 30, 2014, the components of deferred inflows of resources and unearned revenues included in the City's financial statements consist of the following:

Type/Fund	Unavailable	Unearned	Total
Property taxes, General Fund	\$ 9,612	\$ -	\$ 9,612
Advanced billings, General Fund	-	11,389	11,389
Billings, Sewer Operations Fund	-	7,467	7,467
	<u>\$ 9,612</u>	<u>\$ 18,856</u>	<u>\$ 28,468</u>

**Note 6 – Long-Term Debt**

During the fiscal year ended June 30, 2014, the following long-term debt transactions occurred:

Business-type activities:	Balance			Balance	Due in 1
	7/1/2013	Additions	Reductions		
General Obligation Bond-refinance	\$ 536,000	\$ -	\$ (61,000)	\$ 475,000	\$ 63,000
Sewer Bond #1	2,170,095	-	(29,851)	2,140,244	31,195
OECDD Note Payable #1	259,838	-	(17,733)	242,105	17,883
Clean Water State Revolving Loan	706,058	-	(49,915)	656,143	51,383
Total long-term debt	<u>\$ 3,671,991</u>	<u>\$ -</u>	<u>\$ (158,499)</u>	<u>\$ 3,513,492</u>	<u>\$ 163,461</u>

The City incurred interest expense of \$144,158 for its business-type activities.

The City's long-term debt consists of the following:

**General Obligation Bonds**

\$1,390,000 was issued June 20, 1980 for wastewater construction and improvements. Interest (5%) payments are required semi-annually on June 26th and December 18th each year with principal payments required each June 26th until 2021.

On December 26, 2012, The City issued \$536,000 in General Obligation Bonds with an interest rate of 2.62 percent to refund \$576,605 of outstanding 1980 Series General Obligation Bond with an interest rate of 5 percent. The net proceeds of \$533,300 (after payment of \$2,700 in origination fees and other issuance costs) plus \$43,304 of the proceeds of the 2012-2013 property tax levy were used to refund the 1980 Series General Obligation Bond. The City completed the refunding to reduce its total debt service payments over the next 8 years by approximately \$63,049 (after factoring in cost of issuance). There were no premiums or discounts issued related to this current refunding.

**CITY OF SHADY COVE, OREGON**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

**Note 6 – Long-Term Debt (continued)**

Interest (2.62%) payments are required semi-annually on June 26<sup>th</sup> and December 26<sup>th</sup> of each year with the principal payments required each December 26<sup>th</sup>. Principal and interest payments are made from the Sewer Bonded Debt Fund. Interest expense for 2013-14 was \$13,244.

Year Ending June 30:	Principal	Interest	Total
2015	\$ 63,000	\$ 11,620	\$ 74,620
2016	64,000	9,955	73,955
2017	66,000	8,253	74,253
2018	68,000	6,498	74,498
2019	70,000	4,690	74,690
2020	71,000	2,843	73,843
2021	73,000	956	73,956
	<u>\$ 475,000</u>	<u>\$ 44,815</u>	<u>\$ 519,815</u>

**Sewer Bond No. #1**

\$2,346,000 was issued March 17, 2006 for wastewater construction and improvements. This bond was used to pay off previous interim financing. Annual payments of \$127,506, including principal and interest of 4.5%, are due March 17th each year through 2046. Principal and interest payments are made from the Sewer Operations Fund. The City is required to maintain a loan reserve in accordance with the loan agreement. The reserve account is to be accumulated at a minimum rate of \$12,751 per year until there is a minimum of \$127,506 in the account. The reserve balance in the Sewer Reserve Fund was \$162,069 at June 30, 2014. Interest expense for 2013-14 was \$97,263.

Year Ending June 30:	Principal	Interest	Total
2015	\$ 31,195	\$ 96,311	\$ 127,506
2016	32,598	94,907	127,505
2017	34,065	93,440	127,505
2018	35,598	91,907	127,505
2019	37,200	90,305	127,505
2020-2024	212,670	424,858	637,528
2025-2029	265,024	372,503	637,527
2030-2034	330,269	307,260	637,529
2035-2039	411,575	225,953	637,528
2040-4044	512,897	124,630	637,527
2045-2046	237,153	16,086	253,239
	<u>\$ 2,140,244</u>	<u>\$ 1,938,160</u>	<u>\$ 4,078,404</u>

**CITY OF SHADY COVE, OREGON**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

**Note 6 – Long-Term Debt (continued)**

OECD Note Payable #1

\$400,000 was issued April 12, 2000 for rehabilitation of the wastewater systems. Annual payments of between \$27,734 and \$32,233, including principal and interest of between 5.250% and 5.625%, due December 1st each year through 2024. Principal and interest payments are made from the Sewer Operations Fund. Interest expense for 2013-14 was \$13,882.

Year Ending June 30:	Principal	Interest	Total	Interest Rate
2015	\$ 17,883	\$ 13,475	\$ 31,358	5.500%
2016	18,042	12,491	30,533	5.500%
2017	18,209	11,499	29,708	5.500%
2018	18,386	10,498	28,884	5.500%
2019	18,571	9,486	28,057	5.500%
2020-2024	121,065	28,954	150,019	5.500%
2024-2025	29,949	1,685	31,634	5.625%
	<u>\$ 242,105</u>	<u>\$ 88,088</u>	<u>\$ 330,193</u>	

Clean Water State Revolving Fund (CWSRF) Note

\$1,000,000 loan agreement issued November 15, 2004 for rehabilitation of the wastewater systems. As of June 30, 2007, draws on this note were \$997,503, with no further draws expected to occur. Annual payments of \$61,692 in fiscal year 2006-07, and \$70,170 thereafter until fully paid, including principal and interest of 2.92%, due semi-annually September and March 1st each year through March 1, 2025. Principal and interest payments are made from the Sewer Operations Fund. The City is required to maintain a loan reserve in accordance with the loan agreement of \$34,898. Interest expense for 2013-14 was \$19,769.

Year Ending June 30:	Principal	Interest	Fees	Interest & Fees	Total
2015	\$ 51,383	\$ 18,787	\$ 3,153	\$ 21,940	\$ 73,323
2016	52,895	17,275	2,893	20,168	73,063
2017	54,450	15,720	2,624	18,344	72,794
2018	56,052	14,118	2,348	16,466	72,518
2019	57,700	12,470	2,064	14,534	72,234
2020-2024	314,980	35,870	5,751	41,621	356,601
2024-2025	68,683	1,508	173	1,681	70,364
	<u>\$ 656,143</u>	<u>\$ 115,748</u>	<u>\$ 19,006</u>	<u>\$ 134,754</u>	<u>\$ 790,897</u>

**CITY OF SHADY COVE, OREGON**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

**Note 7 – Operating Leases**

As of June 30, 2014 the City had an operating lease commitment for two copiers. Rental fees, representing the minimum rental amount, incurred during the year on this lease were \$4,752. The future payments for the current operating lease are as follows:

<u>Year ending June 30:</u>	<u>Payments</u>
2015	\$ 4,752
2016	<u>4,356</u>
	<u>\$ 9,108</u>

**Note 8 – Interfund Transactions**

Interfund transfers

Interfund transfers during the year ended June 30, 2014 were as follows:

<u>Business-Type Activities</u>	<u>In</u>	<u>Out</u>
Sewer Operations Fund	\$ -	\$ 187,846
Sewer Reserve Fund	11,346	-
Sewer Operations Replacement Fund	<u>176,500</u>	<u>-</u>
	<u>\$ 187,846</u>	<u>\$ 187,846</u>

The inter-fund transfer from the Sewer Operations Fund to the Sewer Operations Replacement Fund was to fund various capital improvements that were budgeted during 2014.

**Note 9 – Accrued Compensated Absences**

At June 30, 2014, the outstanding balance is comprised of accrued vacation and certain accrued sick time. On termination from employment, one-half of an employee's unused accrued sick leave will be converted to the Oregon Public Employees Retirement System (PERS), if eligible. At fiscal year end, the City had no employees eligible for this sick-leave benefit. Changes in accrued compensated absences for the year ended June 30, 2014, are as follows:

	<u>Accrued June 30, 2013</u>	<u>Earned</u>	<u>Used</u>	<u>Accrued June 30, 2014</u>
Government Activities	<u>\$ 26,703</u>	<u>\$ 5,980</u>	<u>\$ (28,244)</u>	<u>\$ 4,439</u>

**CITY OF SHADY COVE, OREGON**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

**Note 10 – Defined Benefit Pension Plan**

The City contributes to two pension plans administered by PERS. The Oregon Public Employees Retirement Fund (OPERF) applies to the City's contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple-employer defined benefit pension plan. The Oregon Public Service Retirement Plan (OPSRP) and the Oregon Public Service Retirement Plan – Police (OPSRP- Police) are hybrid successor plans to the OPERF and consists of two programs: The Pension Program, the defined benefit portion of the plan, applies to qualifying City employees hired after August 29, 2003, and to inactive employees who return to employment following a six-month or greater break in service. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service. Beginning January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account.

Both PERS plans provide retirement and disability benefits, post employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute Chapter 238, which establishes the Oregon Public Employees Retirement Board (OPERB) as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to PERS, PO Box 23700, Tigard, OR, 97281-3700 or by calling 503-598-7377.

Covered employees are required by state statute to contribute 6% of their annual salary to the system, but the employer is allowed to pay any or all of the employees' contribution in addition to the required employers' contribution. Employees are required to contribute the 6% "pick-up" for the year ended June 30, 2014. The City is required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan, and a general service rate for the qualifying employees under the OPSRP plan. The OPERF rate in effect for the year ended June 30, 2014 was 6.27%. The OPSRP rate in effect for the year ended June 30, 2014 was .49% for general service employees. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature. The City's contributions to PERS for the years ending June 30, 2014, 2013, and 2012, were \$16,918, \$18,670, and \$19,396, respectively, equal to the required contributions for each year.

**Note 11 – Other Post Employment Benefits**

The City of Shady Cove completed a valuation on its post employment benefit liability as required by GASB for financial statements purposes. Based on this valuation, the actuary concluded the City has no OPEB liability to be reported under GASB 45.

**Note 12 – Net Position**

**Deficit Net Position**

At June 30, 2014, a net position deficit of \$456,794 exists in the Sewer Bonded Debt Fund. The deficit results from the recording of long-term debt for the purpose of constructing the City of Shady Cove's portion of the wastewater system. The Sewer Bonded Debt Fund is responsible for the long-term debt liability while the Sewer Operations Fund receives the benefit of the constructed asset resulting in a deficit in the Sewer Bonded Debt Fund.

**CITY OF SHADY COVE, OREGON**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

**Note 12 – Net Position (Continued)**

**Restricted Net Position**

The City has approved enabling legislation that imposes legally enforceable limits on how certain system development charges (restricted resource/net position) may be used. A portion of net position is also restricted by external parties for payments of outstanding debt. Restricted net position at June 30, 2014 is comprised of the following:

Enacted by enabling legislation of the City:		
Restricted for system development	\$	908,058
Restricted for foot and bike paths		1,681
Externally imposed:		
Restricted for debt service		<u>180,610</u>
	\$	<u>1,090,349</u>

**Note 13 – 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.

**Note 14 – 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 15 – 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 16 – Subsequent Events**

Management of the City has evaluated events and transactions occurring after June 30, 2014 through the date of the financial statements were available for issuance, for recognition and/or disclosure in the financial statements.

**CITY OF SHADY COVE, OREGON**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

**Note 17 – New Pronouncements**

For the year ending June 30, 2014, the City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 was effective for financial statement periods beginning after December 15, 2012. GASB No. 65 amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets and liabilities. The objective is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). The implementation of GASB No. 65 resulted in reclassification of property tax previously identified as a liability in governmental funds to a deferred inflow of resources (unavailable revenue).



**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SHADY COVE  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2014**

	Budget		Actual	Variance with
	Adopted	Final		Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 118,090	\$ 118,090	\$ 121,737	\$ 3,647
State subventions	70,000	70,000	71,628	1,628
Franchise taxes	215,000	215,000	229,584	14,584
City fees	87,000	87,000	83,848	(3,152)
Administrative fees	85,050	85,050	58,156	(26,894)
Municipal court	25,000	25,000	20,557	(4,443)
Grants	42,000	42,000	-	(42,000)
Public safety fee	250,000	250,000	249,886	(114)
Floodplain permit fee	11,000	11,000	1,025	(9,975)
Miscellaneous	11,500	11,500	4,738	(6,762)
Earnings on investments	1,000	1,000	576	(424)
<b>TOTAL REVENUES</b>	<b>915,640</b>	<b>915,640</b>	<b>841,735</b>	<b>(73,905)</b>
<b>EXPENDITURES</b>				
Current:				
Administration	524,000	524,000	357,296	166,704
Public safety	425,000	425,000	414,117	10,883
Parks and recreation	120,000	120,000	6,306	113,694
<b>TOTAL EXPENDITURES</b>	<b>1,069,000</b>	<b>1,069,000</b>	<b>777,719</b>	<b>291,281</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(153,360)</b>	<b>(153,360)</b>	<b>64,016</b>	<b>217,376</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	68,360	68,360	-	(68,360)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>68,360</b>	<b>68,360</b>	<b>-</b>	<b>(68,360)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(85,000)</b>	<b>(85,000)</b>	<b>64,016</b>	<b>149,016</b>
<b>FUND BALANCE, Beginning of Year</b>	<b>85,000</b>	<b>85,000</b>	<b>125,165</b>	<b>40,165</b>
<b>FUND BALANCE, End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 189,181</b>	<b>\$ 189,181</b>

**CITY OF SHADY COVE  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
STREET FUND  
YEAR ENDED JUNE 30, 2014**

	Budget		Actual	Variance with
	Adopted	Final		Final Budget
				Positive (Negative)
<b>REVENUES</b>				
State Highway revenue	\$ 165,000	\$ 165,000	\$ 168,108	\$ 3,108
Grants	50,000	50,000	-	(50,000)
Miscellaneous income	100	100	2,065	1,965
Earnings on investments	100	100	162	62
<b>TOTAL REVENUES</b>	<b>215,200</b>	<b>215,200</b>	<b>170,335</b>	<b>(44,865)</b>
<b>EXPENDITURES</b>				
Current				
Highways and streets				
Personal services	80,606	80,606	67,795	12,811
Materials and services	134,040	134,040	41,634	92,406
Capital outlay	435,299	435,299	-	435,299
Contingency	3,904	3,904	-	3,904
<b>TOTAL EXPENDITURES</b>	<b>653,849</b>	<b>653,849</b>	<b>109,429</b>	<b>544,420</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(438,649)</b>	<b>(438,649)</b>	<b>60,906</b>	<b>499,555</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	433,649	433,649	-	433,649
<b>TOTAL OTHER FINANCING SOURCES (USES):</b>	<b>433,649</b>	<b>433,649</b>	<b>-</b>	<b>433,649</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(5,000)</b>	<b>(5,000)</b>	<b>60,906</b>	<b>65,906</b>
<b>FUND BALANCE, Beginning of Year</b>	<b>5,000</b>	<b>5,000</b>	<b>9,886</b>	<b>4,886</b>
<b>FUND BALANCE, End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 70,792</b>	<b>\$ 70,792</b>

**OTHER SUPPLEMENTARY INFORMATION**

**MAJOR ENTERPRISE FUNDS**

**CITY OF SHADY COVE  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN NET POSITION - BUDGET AND ACTUAL  
SEWER OPERATIONS FUND  
YEAR ENDED JUNE 30, 2014**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
<b>REVENUES</b>				
Charges for services	\$ 858,500	\$ 858,500	\$ 869,297	\$ 10,797
Miscellaneous Income	-	-	2,805	2,805
Earnings on investments	2,000	2,000	1,795	(205)
<b>TOTAL REVENUES</b>	<b>860,500</b>	<b>860,500</b>	<b>873,897</b>	<b>13,397</b>
<b>EXPENDITURES</b>				
Current:				
Utility services				
Personal services	71,749	71,749	66,744	5,005
Materials and services	367,323	367,323	349,921	17,402
Capital outlay	7,500	7,500	-	7,500
Debt service	232,107	232,107	229,859	2,248
Operating contingency	37,887	37,887	-	37,887
<b>TOTAL EXPENDITURES</b>	<b>716,566</b>	<b>716,566</b>	<b>646,524</b>	<b>70,042</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>143,934</b>	<b>143,934</b>	<b>227,373</b>	<b>83,439</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	7,500	7,500	-	(7,500)
Transfers (out)	(188,106)	(188,106)	(187,846)	260
<b>TOTAL OTHER FINANCING SOURCES (USES):</b>	<b>(180,606)</b>	<b>(180,606)</b>	<b>(187,846)</b>	<b>(7,240)</b>
<b>NET CHANGE IN WORKING CAPITAL</b>	<b>(36,672)</b>	<b>(36,672)</b>	<b>39,527</b>	<b>76,199</b>
<b>NET WORKING CAPITAL, Beginning of Year</b>	<b>320,000</b>	<b>320,000</b>	<b>349,567</b>	<b>29,567</b>
<b>NET WORKING CAPITAL, End of Year</b>	<b>\$ 283,328</b>	<b>\$ 283,328</b>	<b>389,094</b>	<b>\$ 105,766</b>
Add (deduct) adjustments to net working capital to reconcile ending net position:				
Capital assets, net			5,597,258	
Change in accrued interest			1,445	
Change in other non-current assets/liabilities			1,251	
Long-term debt			(3,038,492)	
<b>ENDING NET POSITION</b>			<b>\$ 2,950,556</b>	

**CITY OF SHADY COVE  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN NET POSITION - BUDGET AND ACTUAL  
SEWER BONDED DEBT FUND  
YEAR ENDED JUNE 30, 2014**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
<b>REVENUES</b>				
Taxes	\$ 83,200	\$ 83,200	\$ 79,410	\$ (3,790)
Earnings on investments	150	150	42	(108)
<b>TOTAL REVENUES</b>	<u>83,350</u>	<u>83,350</u>	<u>79,452</u>	<u>(3,898)</u>
<b>EXPENDITURES</b>				
Debt service	<u>74,400</u>	<u>74,400</u>	<u>74,244</u>	<u>156</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>8,950</u>	<u>8,950</u>	<u>5,208</u>	<u>(3,742)</u>
<b>NET CHANGE IN WORKING CAPITAL</b>	8,950	8,950	5,208	(3,742)
<b>NET WORKING CAPITAL, Beginning of Year</b>	<u>36,000</u>	<u>36,000</u>	<u>12,998</u>	<u>(23,002)</u>
<b>NET WORKING CAPITAL, End of Year</b>	<u>\$ 44,950</u>	<u>\$ 44,950</u>	18,206	<u>\$ (26,744)</u>
Add (deduct) adjustments to net working capital to reconcile ending net position.				
Long-term debt			<u>(475,000)</u>	
<b>ENDING NET POSITION (DEFICIT)</b>			<u>\$ (456,794)</u>	

**CITY OF SHADY COVE  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN NET POSITION - BUDGET AND ACTUAL  
SDC FUND  
YEAR ENDED JUNE 30, 2014**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
<b>REVENUES</b>				
System development charges	\$ 31,212	\$ 31,212	\$ 61,656	\$ 30,444
Earnings on investments	4,000	4,000	4,227	227
<b>TOTAL REVENUES</b>	<b>35,212</b>	<b>35,212</b>	<b>65,883</b>	<b>30,671</b>
<b>EXPENDITURES</b>				
Materials and services	-	-	793	(793)
Capital outlay	-	-	33,140	(33,140)
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>33,933</b>	<b>(33,933)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>35,212</b>	<b>35,212</b>	<b>31,950</b>	<b>(3,262)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer out	(509,509)	(509,509)	-	509,509
<b>TOTAL OTHER FINANCING SOURCES (USES):</b>	<b>(509,509)</b>	<b>(509,509)</b>	<b>-</b>	<b>509,509</b>
<b>NET CHANGE IN NET WORKING CAPITAL</b>	<b>(474,297)</b>	<b>(474,297)</b>	<b>31,950</b>	<b>506,247</b>
<b>NET WORKING CAPITAL, Beginning of Year</b>	<b>815,000</b>	<b>815,000</b>	<b>876,108</b>	<b>61,108</b>
<b>NET WORKING CAPITAL, End of Year</b>	<b>\$ 340,703</b>	<b>\$ 340,703</b>	<b>908,058</b>	<b>\$ 567,355</b>
Add (deduct) adjustments to net working capital to reconcile ending net position:				
Capital assets, net			557,614	
<b>ENDING NET POSITION</b>			<b>\$ 1,465,672</b>	



**NONMAJOR ENTERPRISE FUNDS**

**CITY OF SHADY COVE  
COMBINING SCHEDULE OF NET POSITION  
NONMAJOR ENTERPRISE FUNDS  
JUNE 30, 2014**

	<b>Sewer Reserve Fund</b>	<b>Sewer Operations Replacement Fund</b>	<b>Total Nonmajor Enterprise Funds</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ -	\$ 151,869	\$ 151,869
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total current assets</b>	<u>          </u> -	<u>          </u> 151,869	<u>          </u> 151,869
Noncurrent assets:			
Restricted cash and investments	162,069	-	162,069
Construction-in-progress	-	29,221	29,221
Infrastructure, net	-	319,038	319,038
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total noncurrent assets</b>	<u>          </u> 162,069	<u>          </u> 348,259	<u>          </u> 510,328
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<u>          </u> \$ 162,069	<u>          </u> \$ 500,128	<u>          </u> \$ 662,197
<b>NET POSITION</b>			
Net investment in capital assets	\$ -	\$ 348,259	\$ 348,259
Restricted	162,069	-	162,069
Unrestricted	-	151,869	151,869
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL NET POSITION</b>	<u>          </u> \$ 162,069	<u>          </u> \$ 500,128	<u>          </u> \$ 662,197

**CITY OF SHADY COVE  
 COMBINING SCHEDULE OF REVENUES,  
 EXPENSES AND CHANGES IN NET POSITION  
 NONMAJOR ENTERPRISE FUNDS  
 YEAR ENDED JUNE 30, 2014**

	<b>Sewer Reserve Fund</b>	<b>Sewer Operations Replacement Fund</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>OPERATING EXPENSES</b>			
Depreciation	\$ -	\$ 18,793	\$ 18,793
<b>OPERATING INCOME (LOSS)</b>	<u>-</u>	<u>(18,793)</u>	<u>(18,793)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest on investments	<u>739</u>	<u>596</u>	<u>1,335</u>
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>739</u>	<u>596</u>	<u>1,335</u>
<b>INCOME BEFORE TRANSFERS</b>	739	(18,197)	(17,458)
Transfer in (out)	<u>11,346</u>	<u>176,500</u>	<u>187,846</u>
<b>CHANGES IN NET POSITION</b>	<u>12,085</u>	<u>158,303</u>	<u>170,388</u>
<b>NET POSITION, Beginning of Year, as restated</b>	<u>149,984</u>	<u>341,825</u>	<u>491,809</u>
<b>NET POSITION, End of Year</b>	<u>\$ 162,069</u>	<u>\$ 500,128</u>	<u>\$ 662,197</u>

**CITY OF SHADY COVE  
COMBINING SCHEDULE OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
YEAR ENDED JUNE 30, 2014**

	<b>Sewer Reserve Fund</b>	<b>Sewer Operations Replacement Fund</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of capital assets	\$ -	\$ (125,000)	\$ (125,000)
Transfer in (out)	11,346	176,500	187,846
<b>Net cash provided (used) by capital and related financing activities</b>	<b>11,346</b>	<b>51,500</b>	<b>62,846</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends	739	596	1,335
<b>Net cash provided (used) by investing activities</b>	<b>739</b>	<b>596</b>	<b>1,335</b>
<b>Net increase (decrease) in cash and investments</b>	<b>12,085</b>	<b>52,096</b>	<b>64,181</b>
Balances - beginning of the year	149,984	99,773	249,757
Balances - end of the year	<u>\$ 162,069</u>	<u>\$ 151,869</u>	<u>\$ 313,938</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ -	\$ (18,793)	\$ (18,793)
Adjustments to reconcile operating income to cash provided by operating activities:			
Depreciation expense	-	18,793	18,793
<b>Net cash provided (used) by operating activities</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF SHADY COVE  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN NET POSITION - BUDGET AND ACTUAL  
SEWER RESERVE FUND  
YEAR ENDED JUNE 30, 2014**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
<b>REVENUES</b>				
Earnings on investments	\$ 800	\$ 800	\$ 739	\$ (61)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	11,606	11,606	11,346	(260)
<b>CHANGE IN NET POSITION</b>	12,406	12,406	12,085	(321)
<b>NET POSITION, Beginning of Year</b>	150,000	150,000	149,984	(16)
<b>NET POSITION, End of Year</b>	\$ 162,406	\$ 162,406	\$ 162,069	\$ (337)

**CITY OF SHADY COVE  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN NET POSITION - BUDGET AND ACTUAL  
SEWER OPERATIONS REPLACEMENT FUND  
YEAR ENDED JUNE 30, 2014**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
<b>REVENUES</b>				
Earnings on investments	\$ -	\$ -	\$ 596	\$ 596
<b>EXPENDITURES</b>				
Capital outlay	291,500	291,500	125,000	166,500
<b>TOTAL EXPENDITURES</b>	291,500	291,500	125,000	166,500
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(291,500)	(291,500)	(124,404)	167,096
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	176,500	176,500	176,500	-
<b>TOTAL OTHER FINANCING SOURCES (USES):</b>	176,500	176,500	176,500	-
<b>NET CHANGE IN WORKING CAPITAL</b>	(115,000)	(115,000)	52,096	167,096
<b>NET WORKING CAPITAL, Beginning of Year</b>	115,000	115,000	99,773	(15,227)
<b>NET WORKING CAPITAL, End of Year</b>	\$ -	\$ -	\$ 151,869	\$ 151,869
Add (deduct) adjustments to net working capital to reconcile ending net position:				
Capital assets, net			348,259	
<b>ENDING NET POSITION</b>			\$ 500,128	

**OTHER FINANCIAL SCHEDULES**

**CITY OF SHADY COVE  
SCHEDULE OF PROPERTY TAX TRANSACTIONS  
FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Tax Year</u>	<u>Uncollected July 1, 2013</u>	<u>Levy as Extended by Assessor</u>	<u>Discounts &amp; Adjustments</u>	<u>Interest</u>	<u>Collections Per Treasurer</u>	<u>Uncollected June 30, 2014</u>
<b><u>GENERAL FUND</u></b>							
CURRENT	2013-14	\$	\$ 121,439	\$ (3,349)	\$ 31	\$ 113,469	\$ 4,652
PRIOR	2012-13	4,953		(518)	116	2,329	2,222
	2011-12	2,618		(133)	145	1,163	1,467
	2010-11	1,405		(129)	140	755	663
	2009-10	784		(235)	107	461	195
	2008-09	210		(24)	32	97	121
	2007-08	135		(6)	22	66	85
	2006-07	67		(7)	12	32	40
	Prior	308		(107)	29	63	167
Total Prior		<u>10,480</u>	<u>-</u>	<u>(1,159)</u>	<u>603</u>	<u>4,966</u>	<u>4,960</u>
<b>TOTAL GENERAL FUND</b>		<u>\$ 10,480</u>	<u>\$ 121,439</u>	<u>\$ (4,508)</u>	<u>\$ 634</u>	<u>\$ 118,435</u>	<u>\$ 9,612</u>
<b><u>SEWER DEBT FUND</u></b>							
CURRENT	2013-14	\$	\$ 83,194	\$ (2,294)	\$ 20	\$ 77,735	\$ 3,185
PRIOR	2012-13	3,392		(355)	80	1,596	1,521
	2011-12	1,611		(91)	100	797	823
	2010-11	927		(88)	96	517	416
	2009-10	527		(161)	73	316	123
	2008-09	151		(16)	22	66	91
	2007-08	117		(4)	15	45	83
	2006-07	56		(5)	8	22	37
	Prior	279		(65)	20	43	191
Total Prior		<u>7,060</u>	<u>-</u>	<u>(785)</u>	<u>414</u>	<u>3,402</u>	<u>3,285</u>
<b>TOTAL SEWER DEBT FUND</b>		<u>\$ 7,060</u>	<u>\$ 83,194</u>	<u>\$ (3,079)</u>	<u>\$ 434</u>	<u>\$ 81,137</u>	<u>\$ 6,470</u>





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

Honorable Mayor and Council  
City of Shady Cove  
Shady Cove, OR 97539

We have audited the basic financial statements of the City of Shady Cove, Oregon as of and for the year ended June 30, 2014, and have issued our report thereon dated November 7, 2014. 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 of Shady Cove'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 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.
- Authorized investment of surplus funds (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 City of Shady Cove 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 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except as follows:

### Budget

As noted in the financial statements, the City over-expended its appropriation authority in the SDC Fund in Materials and Services (\$793) and Capital Outlay (\$33,140).

Honorable Mayor and Council  
City of Shady Cove

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

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

**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 parties.

*Stewart C. Parmele, CPA, Partner*

Stewart C. Parmele, CPA, Partner  
KDCO Piels Certified Public Accountants, LLP  
Medford, Oregon  
November 7, 2014