

**FY25-26 Budget Process, LB-1 Discrepancies and Alleged Hidden Funds**

**Overview.**

This document attempts to describe the discrepancies we see in the City of Shady Cove’s budget process for FY25-26. We will show how the LB-1 form (Shady Cove’s official Notice of Budget Hearing and published budget summary) total resources changed from an initial estimate of \$5.5M to a final submittal of \$4.3M. We will then provide an estimate of the true cash balance showing surplus funds.

**In Shady Cove’s April 29<sup>th</sup>, 2025 budget meeting, a first draft of the LB-1 is provided by City Administrator Parry.**

We believe this is a good-faith representation of the City’s available assets, considering the uncertainty from years of delayed audits. Note the disclaimer at the bottom of the form, which states that beginning fund balances were developed without audit. Based on recorded audio of the 4/15/25 budget committee meeting, and audit documentation, it was understood that beginning fund balances were completely unreliable, therefore we understand the numbers documented here were developed based on the City’s estimated financial reserves of ~1.5M. (Refer to the recorded audio of the 4-15-2025 budget meeting for further details on financial reserves.)

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FINANCIAL SUMMARY – RESOURCES			
TOTAL OF ALL FUNDS	Actual Amounts 20_23 –20_24	Adopted Budget This Year: 20_24 –20_25	Approved Budget Next Year: 20_25 –20_26
1. Beginning Fund Balance/Net Working Capital .....	934,500	958,750	958,750
2. Fees, Licenses, Permits, Fines, Assessments & Other Service Charges...	762,500	799,375	2,264,220
3. Federal, State & all Other Grants, Gifts, Allocations & Donations .....	2,790,000	2,824,639	1,680,000
4. Revenue from Bonds & Other Debt .....	0	0	0
5. Interfund Transfers/Internal Service Reimbursements .....	0	1,106,250	0
6. All Other Resources Except Current Year Property Taxes .....	1,283,260	78,185	454,075
7. Current Year Property Taxes Estimated to be Received .....	170,000	178,500	180,000
8. <b>Total Resources</b> —add lines 1 through 7 .....	<b>5,940,260</b>	<b>5,945,699</b>	<b>5,537,045</b>
FINANCIAL SUMMARY – REQUIREMENTS BY OBJECT CLASSIFICATION			
9. Personnel Services and Public Safety .....	1,184,000	1,257,899	1,330,551
10. Materials and Services .....	614,000	636,599	1,748,515
11. Capital Outlay .....	2,735,100	2,787,464	1,500,000
12. Debt Service .....	435,700	423,700	101,847
13. Interfund Transfers .....	130,700	135,750	0
14. Contingencies .....	0	0	0
15. Special Payments .....	182,160	182,160	56,132
16. Unappropriated Ending Balance and Reserved for Future Expenditure ...	850,000	850,000	800,000
17. <b>Total Requirements</b> —add lines 9 through 16 .....	<b>5,940,260</b>	<b>5,945,699</b>	<b>5,537,045</b>
FINANCIAL SUMMARY – REQUIREMENTS AND FULL-TIME EQUIVALENT EMPLOYEES (FTE) BY ORGANIZATIONAL UNIT OR PROGRAM*			
Name of Organizational Unit or Program			
FTE for Unit or Program			
Name ADMINISTRATION	3,459,300	4,203,140	1,330,551
FTE			
Name PUBLIC SAFETY	614,000	636,599	698,829
FTE			
Name PARKS	12,000	16,160	250,000
FTE			
Name STREETS	295,660	669,800	500,000
FTE			

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Form OR-LB-1 (continued on next page)

Name SYSTEM DEVELOPMENT	295,660	669,800	1,500,000
FTE			
Not Allocated to Organizational Unit or Program	1,239,300	100,000	1,039,300
FTE			
<b>Total Requirements</b>	<b>5,940,250</b>	<b>5,945,699</b>	<b>5,537,045</b>
<b>Total FTE</b>	<b>5</b>	<b>5</b>	<b>5</b>

**STATEMENT OF CHANGES IN ACTIVITIES AND SOURCES OF FINANCING\***

This budget represent some decreases in both revenue and expenditures. There is a grant that the City obtained for the benefit of our citizens such as State Legislature funding. The Mayor and Council will review City progress on a regular basis. Estimates of beginning fund balances are developed without audit. Special payments refers to money taken in from sewer billing, which is turned over to Rogue Valley Sewer District (RVSS). RVSS can not shut off sewers, and Public Safety Fee loses can only be put to tax certification with an eventual lien.

In Shady Cove's 5/6/2025 budget meeting, the LB-1 was not provided or discussed. In the final budget committee meeting on 5/13/2025, the a different version of the LB-1 was provided, with significantly changed total resources.

Note: Due to audit difficulties and a re-organization of the City's accounting funds, many fund beginning balances were not included. This was intentional. This money will be re-introduced into the budget once the audits show the firm dollar amounts.

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**FINANCIAL SUMMARY – RESOURCES**

TOTAL OF ALL FUNDS	Actual Amounts	Adopted Budget	Approved Budget
	20_23 – 20_24	This Year: 20_24 – 20_25	Next Year: 20_25 – 20_26
1. Beginning Fund Balance/Net Working Capital .....	934,500	958,750	1,533,913
2. Fees, Licenses, Permits, Fines, Assessments & Other Service Charges...	762,500	799,375	1,355,690
3. Federal, State & all Other Grants, Gifts, Allocations & Donations .....	2,790,000	2,824,639	0
4. Revenue from Bonds & Other Debt .....	0	0	0
5. Interfund Transfers/Internal Service Reimbursements .....	0	1,106,250	206,640
6. All Other Resources Except Current Year Property Taxes .....	1,283,260	78,185	1,006,442
7. Current Year Property Taxes Estimated to be Received .....	170,000	178,500	204,172
8. <b>Total Resources</b> —add lines 1 through 7 .....	5,940,260	5,945,699	4,306,856

**FINANCIAL SUMMARY – REQUIREMENTS BY OBJECT CLASSIFICATION**

9. Personnel Services and Public Safety .....	1,184,000	1,257,899	682,213
10. Materials and Services .....	614,000	636,599	1,115,995
11. Capital Outlay .....	2,735,100	2,787,464	1,282,758
12. Debt Service .....	435,700	423,700	0
13. Interfund Transfers .....	130,700	135,750	162,640
14. Contingencies .....	0	0	1,000
15. Special Payments .....	182,160	182,160	905,441
16. Unappropriated Ending Balance and Reserved for Future Expenditure .....	850,000	850,000	156,808
17. <b>Total Requirements</b> —add lines 9 through 16 .....	5,940,260	5,945,699	4,306,856

**FINANCIAL SUMMARY – REQUIREMENTS AND FULL-TIME EQUIVALENT EMPLOYEES (FTE) BY ORGANIZATIONAL UNIT OR PROGRAM\***

Name of Organizational Unit or Program	FTE for Unit or Program		
Name ADMINISTRATION	3,459,300	4,203,140	1,066,339
FTE			4
Name PUBLIC SAFETY	614,000	636,599	622,640
FTE			0
Name PARKS	12,000	16,160	10,200
FTE			0.50
Name STREETS	295,660	669,800	200,000
FTE			0

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Form OR-LB-1 (continued on next page)

Clear Page

Name SYSTEM DEVELOPMENT	295,660	669,800	0
FTE			
Not Allocated to Organizational Unit or Program	1,239,300	100,000	0
FTE			
<b>Total Requirements</b>	5,940,250	5,945,699	4,306,856
<b>Total FTE</b>	5	5	SEE BELOW

**STATEMENT OF CHANGES IN ACTIVITIES AND SOURCES OF FINANCING\***

This budget reflects significant changes in both revenue and expenditures, resulting from the City of Shady Cove's transition from Excel spreadsheets to Caselle software. This shift enhances the transparency and accuracy of our fiscal year budget tracking. The City has secured a grant from State Legislature funding to directly benefit our citizens. The Mayor and Council will conduct regular reviews to monitor the City's progress. Estimates of beginning fund balances are prepared prior to audit completion. Special payments refer to funds collected from sewer billing, which are remitted to the Rogue Valley Sewer District (RVSS). Note that RVSS cannot discontinue sewer services, and losses from the Public Safety Fee can only be addressed through tax certification, potentially leading to a lien.

**Final Budget Committee LB-1 Form.**

Based on our review of recorded budget committee meetings, we understand that the majority of time spent was focused on budget details, specifically the revenue and expenses for the general fund, and revenue, expenses and shortfalls in the Law Enforcement fund.

The only discussion of the LB-1 takes place in the final budget meeting on 5/13/2025. (A prior version from Administrator Parry was included in the 4/29/2025 meeting, but never discussed.) In the recorded transcript of the 5/13/2025 meeting, it is clear that Budget Chair/Council President Nuckles and now-Mayor Lena Richardson prepared the LB-1 document. It is noteworthy that in the recorded discussion there is

- No discussion of the notes added to the LB-1 regarding accounting changes
- No attempt to sanity check the City’s cash/asset balances to the LB-1
- An attempt – that we allege was obfuscation -- to justify the drop in available resources by saying there is no grant money

**Independent roll-up of Adopted Budget to LB-1.**

Shown below in Table 1 is an independently calculated roll-up of the published budget document to the LB-1 total resources. The source document for the calculation was the June 6th Agenda for the FY25-26 budget hearing ([Approved-2025-2026-Budget.pdf](#)). It’s unknown what process Councilor Nuckles & Mayor Richardson used to roll up the budget numbers to LB-1, but independent calculations match the LB-1 FY25-26 resources above almost EXACTLY. You will also note in the published budget that there are very large historical numbers reported as "unreserved prior balances" for the prior year. These are some of the figures that we claim were so unreliable that in prior budgets members reported LB-1 resources based on the actual cash on hand.

Table 1: Numbers from FY25-26 budget						
Item	Type	Restricted?	unreserved	Prior balance	FY25-26	FY25-26
			prior balance reported for			
			FY24-25			
01 Streets	ODOT revenue	no	775,983	-	220,000	220,000
02 RVSS Sewer	pass-thru	yes	assumed 0	-	978,082	978,082
03 Law Enf.	fees	no	0	-	460,000	460,000
01 - General Fund total	fees & revenue	no	1,445,978	-	908,222	908,222
11 - TLT		no	101,466	yes, FY22-24	0	101,466
12 - Water grant***	grant	yes	1432447	yes, FY24-25	0	1432447
Property Taxes	tax	no				204,172
<b>Total budget</b>						<b>4,304,388</b>

**SCM’s Sanity Check of Cash, Investments & Revenue against LB-1 Total Resources.**

The set of figures below is basically just a different way to look at beginning budget and revenue collected across the fiscal year. It should match the official filings, provided nothing is omitted. All of the information was easy to verify. We took the sum of the City’s Chase Bank account and LGIP investment account beginning balances on 7/1/2025, added in the property tax revenues, and then added in all of the other revenue streams that were identified in the adopted budget. That would include ODOT revenue (\$220K), public safety revenue (\$460K), and general fund revenue (\$908K). We also added in pass-through RVSS sewer collections and bond payments from the sewer fund. We did not count the water grant when using this method, because those funds are not provided in advance, rather they are drawn down from the source as funds are spent.

**Table 2: Comparison of existing City LGIP, Bank & FY25-26 forecasted revenue**

	Item	Restricted?	
	LGIP 7/1/25 beginning balance	no	2,188,000
	Estimated bank balance July 2025	no	565,400
	Forecasted FY25-26 revenue (ODOT, public safety & general fund)	no	1,588,222
	Property Tax	no	204,172
	Pass-thru sewer collections & bond payment	yes	978,082
	subtotal, unrestricted resources		4,545,794
	subtotal, restricted resources		978,082
	grand total		<b>5,523,875</b>

**We show a significant discrepancy between the LB-1 total resources and our estimate of cash-basis assets & revenue for the fiscal year. The discrepancy is approximately \$1.2M dollars.** We allege this is NOT an accident, that money was deliberately set aside from the budget by a subset of Council leadership. We can find nowhere in the Adopted Budget where reserves were intentionally set aside, as that would have had to be reported publicly. Instead, the money is simply “not there”, with a brief, vague note about balances being updated once the outstanding audits were completed. However, the budget line item 10-36-1000 (LGIP interest) offers a clue. Based on reported interest income of \$100K, and published rates from the state of Oregon, the LGIP account balance is estimated at ~2.2M, which agrees with the public records data on LGIP that we have obtained.

We do not believe the City acted in good faith to withhold beginning fund balances from the LB-1 document, for the following reasons. Rather, we *allege* that this was a deliberate omission which intentionally excluded financial reserves to obscure the true state of Shady Cove’s assets.

- Council and budget committee members knew that there was a multi-year failure of accrual basis accounting (due to the audit delays and audit findings). They have stated publicly that prior year budgets used “made-up numbers”. From our investigation, it appears the last two prior year budgets (FY23-24 & FY24-25) reported total available resources in alignment with available cash/investment balances and expected revenue. We allege that this practice changed in FY25-26, and a sum of approximately \$1.2M was intentionally withdrawn from the budget, using audit uncertainty as justification.
- Council members knew that completing the remaining years of backlogged audits (for FY22-23, FY23-24 and FY24-25) would take more than a year, which would make it unlikely that the beginning fund balances could be updated anytime over the next year.
- The delayed audits may have created uncertainty, and we allege that less-knowledgeable members of the budget committee/council were told this was a plausible excuse for not reporting balances. However, because Budget Committee & Council already knew that accrual basis accounting had failed, ***we claim that there was a fiduciary requirement to provide a good faith estimate of total available resources.*** If money was to be dedicated to a reserve fund, it should have been clearly identified as either an investment reserve or an unallocated estimated ending fund balance.
- We allege that the omitted financial reserves would have potentially had material bearing on Council deliberation and public comment regarding recommendations to eliminate the City’s Community Service Officer (CSO) and raise public safety fees in 2025.

We note that the funds discrepancy does not appear to be caused by the City Administrator, as it is the **Council’s** duty to set reserve funds aside.

**Supporting Documentation.**

The source for this information is publicly available data from the audits and budget, and a public-information request for LGIP & finance data.

04-15-2025 budget committee meeting	<a href="https://shadycove.org/proposed-city-of-shady-cove-budget-for-fy2025-2026/">https://shadycove.org/proposed-city-of-shady-cove-budget-for-fy2025-2026/</a>
4-29-2025 budget committee meeting	<a href="https://shadycove.org/04292025-2025-2026-budget-committee-meeting-workshop-with-city-council/">https://shadycove.org/04292025-2025-2026-budget-committee-meeting-workshop-with-city-council/</a>
5-6-2025 budget committee mtg	<a href="https://shadycove.org/05062025-fy-2025-2026-budget-committee-meeting/">https://shadycove.org/05062025-fy-2025-2026-budget-committee-meeting/</a>
5-13-2025 final budget committee mtg	<a href="https://shadycove.org/05132025-budget-committee-workshop/">https://shadycove.org/05132025-budget-committee-workshop/</a>
6-5-2025 public hearing for budget	<a href="https://shadycove.org/06052025-special-public-hearing-for-fy-2025-2026-budget-regular-cc-meeting/">https://shadycove.org/06052025-special-public-hearing-for-fy-2025-2026-budget-regular-cc-meeting/</a>
Additional LGIP/bank data sourced from public record request	
Final-budget-mtg-05-13-transcript.docx	Internally prepared transcript with embedded audio excerpts of final budget meeting on 5/13/2025.

Budget Committee members for FY25-26: Administrator Parry, Mayor Ball, Councilors Nuckles, Winfrey, Taylor & Mitchell. Additional members include former Mayor Lena Richardson, Mr. Jay Taylor, Mr. Don Blaser and Ms. Amy Blaser. The budget chair is Council President Kathy Nuckles (nominated by Lena Richardson).