

Release Date: 3/9/2026

From: Shady Cove Matters Political Action Committee

Subject: Response to statements made by Mayor Richardson during 3/5/26 Council Meeting

Overview: Shady Cove Matters Political Action Committee wishes to respond to the statements made by Mayor Lena Richardson concerning the City's financial status, and on her remarks in Council closing comments. Mayor Richardson's comments were obtained from the Council Zoom recording and are in italics. Please note that red highlight is emphasis added by SCM, our in-line comments are enclosed in the gray text boxes.

1. In-line Response to Mayor Richardson's comments regarding New Business Financial Status.

Appointed Mayor Richardson: *"OK, new business financial status. I would just want to bring you up to date on a couple of things. The contract accountant from RV COG has been hired to work with the auditors to complete the overdue audits. During the fiscal year 23 audit, the auditors compiled supplemental schedules and reconciled bank. Statements. Then, since the auditors had performed so much of the accounting work that city staff is actually responsible for, we had to hire a third party to review the audit. In the end, we did achieve a complete audit. However, we paid dearly for it and our broken in-house Processes were bypassed rather than improved."*

SCM Response: Two audits were completed (disclaimed) prior to Richardson being appointed Mayor. The Auditor for FY2023 (KDP/Sorren) was new and had been hired at the request of Mayor Ball to replace the prior Auditor (Isler). Because KDP/Sorren was new, they need to establish a professional basis for understanding the accuracy of the beginning balances fed into FY2023. The lack of record-keeping and lack of bank reconciliations forced the Auditors to re-audit beginning balances for the prior two audits in order to establish an accurate starting point for the FY2023 audit. The third-party auditor was hired to perform oversight due to the large amount work that needed to be done to re-reconcile the ledger to the bank statements, as it wouldn't be appropriate for the primary Auditor to do that work. The "broken in-house processes" quoted by Richardson started years ago. In our opinion, given the financial issues associated with the FY20 & FY21 audits, it was appropriate to engage outside assistance to get the audit completed in a timely and unbiased manner.

Click these links to references from our website:

- Overview of the audits: shadycovematters.com/sc-audits
- Council discussing the lack of bank reconciliations: shadycovematters.com/failure-to-reconcile

Mayor Richardson: *"For fiscal year 24, we'll take a slightly different path. The plan for the fiscal year 24 audit is complete the basic staff work in house before sending information to the audit team. That way we can save time and money and complete this in a much quicker pace and at less cost.*

Our contract accountant has been with us for just a week reconciling monthly bank statements, and in that short time she's notified us of discrepancies that will change our account balances with Chase and with LGIP. For instance, last September, RVSS Rogue Valley Sewer Service contacted the city about a \$9000 tax certification money that was received from the county.

That had not been passed on to RVSS. The transfer was recorded in our general Ledger, but the actual transfer of funds was never performed in our accounts. In other words, RVSS was never paid. So now the LGIB IP account is overstated by at least \$90,000."

SCM Response: In our opinion, this is an innuendo against unidentified City staff without context. We would like Mayor Richardson to clarify whether the amount actually owed is \$9K or \$90K as she said both according to our audio transcript. There is no context for the reported error, including whether it was for a new transaction that occurred last year, or a historical transaction that occurred in the years prior. That context is important, because for several years prior to Ms. Parry's arrival, the previous City Administrator had failed to collect ANY tax certifications at all. The same Administrator also failed to collect reimbursement payments due to the City and failed to update annual RVSS cost adjustments in the City's billing software. Both parties settled the matter by agreeing the financial losses were a wash, and amended the Franchise Agreement.

Mistakes can certainly happen in the course of work. We hope that an independent auditor can assist the City in identifying what went wrong with the missed tax certification, and work to develop a process to prevent future errors from happening.

References from the City's own website:

- There were numerous delinquent accounts including some dating from 2021 that were three years behind in payments, which Administrator Parry and staff were working to catch up. (Documented on page 8 of the Agenda for the July 7, 2024 Council meeting (<https://shadycove.org/wp-content/uploads/2024/07/072024-City-Council-Complete-Packet.pdf>)
- Details of revised RVSS franchise agreement, as documented on page 25 of the Sept. 5, 2024 Council Packet (<https://shadycove.org/wp-content/uploads/2024/09/Draft-City-Council-Packet-v13.1.pdf>)

Mayor Richardson: *"There's much work to do, but these reconciliations must be systematically performed to correct our account balances and provide reliable information to the auditors. We are also moving forward with the implementation of our Financial Corrective Action Plan filed with the Oregon Secretary of State last month.*

In parallel, we will soon begin our budget process and we'll need a meeting with the Budget Committee to explain a restructuring of our funds and accounts to meet the requirements of a budget that actually accurately reflects actual business activity, city operations.

Finance future projects, estimates of beginning fund balances and a requirement that was identified in the fiscal year 23 audit.

To put it mildly, the current fund structure created by our former city administrator is in is in a broken condition and we're we need to the budget committee needs to spend some time reviewing that. The amount of work ahead of us is almost overwhelming to that end. We need to discuss our path forward. In his report, our interim city administrator did make a request that I be allowed to assist him with the financial activity for the city to get us back on track. So what are your thoughts regarding our current situation? Because we have a lot to do."

SCM Response: In our opinion, another example of lack of transparency from our appointed Mayor.

Residents need to understand that prior to Administrator Parry's arrival, there were no "budgets" – there were spreadsheets that were untethered to actual financial information and Budget Committee members admitted on audio that "budgets came from thin air".

Administrator Parry was too new in FY2024 to be fully responsible for the budget; her first full budget proposal in 2025 included a detailed proposal that – for the first time in years – included actuals (historical spending levels) on which to base the new budget. Budget committee members have admitted that in prior years everything was just lumped into the General Fund – it was Parry that broke things out. We would also like to point out that Richardson and Nuckles have been a long-time members of the budget committee – if the fund structure of this budget – finally separated out from the general fund -- was so broken, why wasn't it adjusted while Richardson and Nuckles participated in the budget meetings for this current fiscal year?

We hope an independent and unbiased budget committee is appointed; we recommend Mayor Richardson recuse herself for failing to provide this important context to residents.

We have extensively documented financial issues on our website. Click the link below to listen to the audio recording and transcript.

shadycovematters.com/budgets-from-thin-air

Councilor Steve Mitchell: "Well, how soon can we have our budget committee meeting like to plan it out? "

Appointed Mayor Richardson: "Well, I would like to have it before the end of the month and I'd like to -- also I have some ideas of how many funds we need and how we need to report things." "For instance, the fund that for the money like we mentioned was transferring to us and on to RVSS shouldn't even be in our budget because it's does it's not our revenue, it's not our expense. It needs to be in a fund where we account for it, but it should not be in our budget. So that'll take about \$900,000 out of our budget. So these are changes that we need to discuss with the Budget Committee. And So what we have to do now is go back and see how many of the. Past committee members are available to serve. Plus there will be at least one. There will be one seat available because I was on the Budget Committee before. So we need to get to engage the community members and schedule a meeting. "

SCM Response: It's true that under Oregon law, fiduciary funds do not have to be reported in the budget. They do need to be reported in the financial statements (audits).

RVSS payments have been included in the budget for the past 5 years. We worry that moving the RVSS payments out of the budget could limit visibility.

Our LGIP public records request showed a total of \$1.2M in Transfer Redemption payments to RVSS, and a total of \$246K in Transfer purchase payments from July 2024 through September 2025. A lot of money moves through these accounts, so perhaps it would be appropriate to focus on how the City is maintaining internal controls on that money, and – as we have maintained for some time – perhaps this could be reported as part of the overall LGIP assets in monthly financial reports.

We would argue that Richardson's statement that this takes money out of the budget is misleading. Citizens should understand that there is no net change from prior years, and there is no net change to the City's financial position as a result; RVSS fees have always been pass-through payments.

Alternatively, Shady Cove could simply negotiate with RVSS to do their own billing, provided that RVSS supports the City's billing of public services. That would be even simpler.

Mayor Richardson: "I know I've read online and learned that the Budget Committee is made up of the council members and an equal amount of private citizens. *However, also the caveat in there is that you*

may not be able to get all the private citizens at least, but but you have to make the attempt to have that, you know, and they have to have a chairperson and a recorder, which is usually the administrator on that part. But yeah, just like this and of the.

I don't know that it's a requirement, but so that would make the budget committee 10 members total. I think it's very wise to at least have seven because that would be a quorum. Otherwise I'm not, I'm not sure if we would mean we didn't have a quorum, but anyway I don't think we'll have any trouble getting enough to at least have a budget meeting. Since we know we have one seat open, can we go ahead and open up the application on the website? So at least we can start. I think we could OK and then as we're call whoever's calling around to find out if the.

Past budget members are going to serve. If there are additional seats, then we just have to update the website to say that instead of one seat, it's two seats or whatever the number is, but that I think normally we run our applications for a couple weeks. Yeah, yeah. So it might be first part of April before we get to this and we're, you know, we'll be in the last quarter, but we really need to get going because after we do that, we still have to compile the budget and have our budget review meetings and get this done. "

Councilor Steve Mitchell: *"OK, I think it probably the first because I know for me for availability that last week in March, the full week, I'm not available in the 24th, 25th or 26th, Tuesday, Wednesday, Thursday I'll be out of town, out of state. "*

Richardson: *"So. The first week in April will be, but how about you, Counselor? "*

Councilor Paige Winfrey: *"Um. It should be OK. That is Easter week."*

Richardson: *"The Yeah. OK. Councilor Veneer, will you, you will be available at the end of the month and the 1st of April. "*

Councilor Vanier: *"Yes, I will. "*

Richardson: *"OK. All right. Well, so let's shoot for that within.*

Say 4 weeks to sure to get this done. But for budget meetings to have any value, there has to be some kind of plan put together and.

I think the city administrator Pro Tem said he can't do it by himself and I don't think we can ask our contracted accountant to do that because she's working on the audit, so.

I think we need to do a motion to allow the mayor to work with the contract accountant, the city administrator, Pro Tem and our finance department to get a plan for the fund restructure and the budget meeting because otherwise we won't get there."

SCM Response: This sets off alarms bells for us. This sets up a request from Mayor Richardson to insert herself even further into the City's finance and audits. We will discuss below why that's not a good idea.

We recently did a public records request for the interim City Administrator's contract and confirmed that his contract awards him a \$10,000 monthly salary for performing as Shady Cove's interim City administrator. That's on-par with the former Administrator Parry's salary.

We mean no disrespect to John's long period of public service. However, according to the information he filed in the Jackson County 2025 special election (when he ran for an open position on the RVSS board of directors) he completed Community Collect and Carpenter trade school; his professional experience was as a Maintenance & Operations Superintendent within the ElDorado County Department of Transportation.

If Mr. Edwards is not capable creating a budget (and cannot work with the City's Finance technician to do that), we suggest changing his employment to part-time hourly, and using funds from the \$10K/month salary to hire an independent financial professional who can do the work.

Appointed Councilor Nuckles: *"There's and the audit. Yeah. "*

Richardson: *"So essentially help out with the in general."*

Nuckles: *"Yeah, yeah, to assist with the audits, the budget preparation and the fund restructuring."*

Mitchell: *"OK. If I may ask, so the budget committee, as I recall in the past that we actually got the information in advance, we have some opportunity..."*

Richardson: *"Right. But that wouldn't be this meeting."*

Mitchell: *"No, no, no, no. "*

Richardson: *"This will be just talking about the restructuring of our funds and reporting. "*

Mitchell: *"OK."*

Richardson: *"Because right now, I mean this is an example. RVSS is all put into one big ball where we have three activities there. We have the fiduciary activity of the pass through funds, we had the debt reserve activity and then we have the.*

The money that we receive, I think it's \$55,000 a year to pay paying us for doing the billing for them.

Those are three different things. And so we need to have a fiduciary account, a debt service account, and the rest of it could go into our general fund. But those are the kinds of things we have to work out."

Mitchell: *"It's a budget committee, right? Yeah. I know in the past we've always had the money allocated in the budget for staff, you know, the to administer it. But then again, I don't recall where it came from, you know, we know it came from Rove Valley Sanitary who are paying for that position, but*

I don't recall how that past two happened. So getting clarity on that would be great."

Richardson: "I think that we've not been able to really take care of things like we should. There's all been one big..."

Mitchell: "So Kathy was that a motion you were making?"

Nuckles: "So I'd like to make a motion to allow the mayor to work closely with the city administrator Pro Tem, the contracted accountant and the finance department to assist with the audits, budget preparation and fund restructure. "

Richardson: "Is there a second?" **Mitchell:** "No, go ahead. I'll second that."

Richardson: "OK. Any questions or discussion?"

SCM Response: At this point, the entire Council votes gives Mayor Richardson a rubber-stamp to work with the City Administrator. No one asked for more information, or asked Richardson to explain specifically what tasks she would be doing. In fairness -- there would have been no point in Councilor Winfrey or Vanier dissenting, because Nuckles, Richardson & Mitchell have the majority vote. But, in our opinion, this overreach should not have gone unchallenged.

We object vehemently to allowing Richards to insert herself into the auditing and finances of the City. As SCM Treasurer Natalie Swendener stated in her public remarks, Mayor Richardson and the interim City Administrator both have the ability to sign checks. The Mayor receives confidential invoices which she admitted on audio come only to her and the City Administrator, and "contain confidential information related to payroll matters and personnel matters."

The permission granted to Richardson is vague, and overly broad. In our opinion it could be interpreted to allow her to be granted direct access to the City's financial system. It is a conflict of interest for the Mayor to take on direct duties related to finances, budget and audit, especially in light of audit findings relating to separation of duties. She should recuse herself, and as we suggest above, the City should hire an independent financial professional using part of Administrator Edwards' salary.

2. In-line Response to Mayor Richardson's Council Comments regarding her Recall.

Mayor Richardson: "OK, I have some comments.

At this time of year, most cities have completed their audits to beginning the budget process and it becomes an appropriate time to reflect on what they've accomplished, assess the current status and plan for the future. When I was sworn in as mayor on July 10th of last year, I told you that my focus would mainly include. Bring the city into compliance with state mandated audits. Consistently publish timely,

complete and accurate financial statements. Continue efforts to define a strategic approach to city water and update and enforce ordinances. I also said that Shady Cove had been caught in a whirlwind of judgments, rumors and misinformation, and I asked for a cooling down period to examine our current state and formulate a plan to move forward in a productive way. "

SCM Response: Describing the long delay in appointing vacant positions after Mayor Richardson's unfortunate appointment as a "cooling down period" mis-represents what happened, in our opinion. Please see our reporting on how the Mayor delayed Council appointments and bypassed numerous qualified applicants to appoint her crony Kathy Nuckles back into office.

shadycovematters.com/council-vacancies-delay

Mayor Richardson: *"What I found after taking office included stalled projects, expired contracts, financial recording errors and a tsunami of complaints being filed by the former administrator against the city and its governing officials."*

SCM Response: We agree with Mayor Richardson that there were financial recording errors – how could there not be when she and others on the budget committee admitted – while laughing – that the City hadn't bothered to balance their books for four years?

The City also failed to file IRS payroll reports from Q1/21 through Q3/25 – Mayor Richardson fails to mention that Administrator Parry discovered this problem and got in contact with the IRS to **avoid the embarrassment of the City having a formal summons filed by the IRS**. We asked Mayor Richardson for an update way back on December 18th because we were concerned that the City potentially have liabilities of \$290K plus fines & fees. Richardson simply said "thank you for your comment" and moved on – we have it on audio.

References from our website (with audio):

shadycovematters.com/failure-to-reconcile

shadycovematters.com/pers-and-irs-problems

Mayor Richardson: *"What I heard from contractors and other organizations with whom the city conducts business was that they could not make progress because of breakdowns in communication. Calls and emails were not returned. Meetings were canceled at the last minute or skipped without notice. There were requests for information and or action that were frequently not met. There was a*

lack of organizational structure, management support for effective project completion. There was inconsistent communication and project follow through on project direction and decision making."

SCM Response: Many citizens crossed paths with Administrator Parry and were impressed by her responsiveness. Council also praised her numerous times publicly until things started breaking down after Ball/Nuckles resignations. While the Mayor claims things were terrible, to our knowledge, these problems were never brought up to other members of the Council. Finally, we note that after a lengthy independent investigation and numerous executive sessions, council finally just... agreed to terminate her without cause.

Mayor Richardson: *"In spite of these headwinds, this council has completed the first state mandated audit since 2020. We've compiled and recorded a corrective action plan with the state and are working toward completing that, beginning with internal financial controls. We continue to work toward completing the remaining overdue audits."*

SCM Response: We look forward to providing more reporting on the inadequacy of the corrective action plan, and we note that the City still has not provided corrective action plans for the FY2021 and FY2022 audits. Also, this isn't the first audit since 2020 to be completed. audits for FY21 & FY22 were completed in 2024 & 2025.

Mayor Richardson: We have compiled and published the first budget to financial statement in more than five years.

SCM Response: Richardson doesn't mention the numerous times SCM has asked the City to include cash & investment balances when providing a budget-to-actual statement, as that acts as a sanity check on the City's resources. Yet, the City continues to refuse to provide that information, claiming it's "due to audits being outstanding". Administrator Parry provided this information until December 2024; after that the reporting suddenly stopped. We recommend citizens go to our website and form their own conclusions.

shadycovematters.com/intro-to-financial-issues

shadycovematters.com/admin-parrys-claims

Mayor Richardson: *"We have participated in an independent investigation of the former administrators claims of misconduct against the city and its officials, which resulted in confirmation of no wrong. Doing by me or any council member. "*

SCM Response: We look forward to completing a public records request for the results of the independent investigation, since you've commented on it publicly.

Mayor Richardson: *"We have received and are moving forward on the stalled water project. We revived and are moving forward on the stalled water project. And as you saw tonight, we have completed a draft of a right of way ordinance to replace long expired franchise agreements.*

It will soon be sent to franchisees for review and after which the council will hold a public hearing and continue toward adoption. In addition to our ongoing projects and tasks, the city must meet additional deadlines such as compiling and adopting the 202627 budget by June 30th. The state requires cities to have an adopted budget in place by this date or discontinue operations.

*We have to recruit a knowledgeable and capable city administrator. **The city's interim administrator can help us out until late May, but because he does not participate in the Public Employees Retirement System, he can no longer no longer serve as a city employee after that time."***

SCM Response:

We recently obtained a copy of the Interim City Administrator's contract, via public records request. His contract makes no mention of the required end date, in fact it's open-ended. It's unclear to us why the May limit wasn't written into his contract, if it is, in fact, a hard limit.

Mayor Richardson: *"And we have to negotiate an agreement with the Teamsters union. The current union agreement expires at the end of June. "*

SCM Response: It is not uncommon for contract agreements to be temporarily extended; some contracts have automatic extension clauses. Instead of having unelected Councilors and an Interim Administrator manage this key contract, we recommend delaying the contract negotiations to Councilors are elected by the people of Shady Cove this November, so that appropriate oversight can be provided.

Mayor Richardson: *"When I was appointed, I planned to serve out the term to which I was appointed, but never intended to run for reelection. There's a huge amount of work to complete in the next 10 months, plus the whirlwind of judgments, rumors and misinformation have only intensified. An initiative was filed last week to remove me from office by recall. **If this effort is successful, the city will be***

thrown into complete chaos and dysfunction in a few months and removing all hope of Shady Cove being able to restore sound a sound financial foundation."

SCM Response: Really?? **There is no one except Lena Richardson who can save Shady Cove from financial destruction!!!!?????**

We agree Shady Cove's financial department needs support. However, **rather than scare tactics** we would like to see an independent financial consultant (separate from the auditor) who works transparently with the City's existing staff. We suggest oversight of this process from an independent budget committee – not managed by you.

Also – **for the record – Lena Richardson was not appointed to the Mayor's remaining term.** She was only to be appointed until the next available election. She should have known the City Charter rules, because she tried to change them during her last term in office. The City Charter does not allow the Mayor to serve out the term; they can only serve until the next available election.

Mayor Richardson: ***"The longer this goes with the current level of acceleration, the closer Shady Cove comes to losing state shared revenue, grant funding and much more.*** *When the interim city manager of Lakeview was hired, he was quoted by the Lake County Examiner as saying that he is appreciative of the town of Lakeview for giving him the opportunity to work with the council and to try to right the ship. He said the goal is to keep the town solvent and functioning because if we don't save this town, the state of Oregon will come in and take it over."*

Mayor Richardson: *"I will only add this comment. Small cities fail when no one is steering the ship in the right direction."*

SCM Response: In our opinion, there is a pattern here, and it's not healthy – *"only I can solve your problems, and dreadful things will happen if I'm not in charge"*. That's a red flag to us.

However, we do agree with Richardson's statement that small cities fail when no one is steering the ship in the right direction. That's why we petitioned for elections, and when that failed that's why we recalled you.

Link to our website: shadycovematters.com/recall-main-page