CITY OF RIVERGROVE
CLACKAMAS COUNTY, OREGON

FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2025

CITY OF RIVERGROVE
Clackamas County, Oregon

Financial Report

For the Year Ended June 30, 2025

CITY OF RIVERGROVE
Clackamas County, Oregon

TABLE OF CONTENTS

CITY OF RIVERGROVE
Clackamas County, Oregon

Elected and Appointed Officials
June 30, 2025

City Council	Term Expiration
Mayor Chris Barhyte	December 31, 2028
Council President Bill Tuttle	December 31, 2028
Doug McLean	December 31, 2026
Leah Silber	December 31, 2026
Curt Taylor	December 31, 2028

All board members receive mail at the address below.

Registered Agent

Analeis Weidlich
4723 Dogwood Dr
Lake Oswego, Oregon 97035

Mailing Address:
City of Rivergrove
P.O. Box 1104
Lake Oswego, Oregon 97035

FINANCIAL SECTION

7624 SW Mohawk Street
Tualatin, OR 97062
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503.723.0300

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Rivergrove, Oregon

Report on Audit of the Financial Statements

Qualified Opinions

We have audited the cash basis financial statements of the governmental activities and each major fund of the City of Rivergrove, Oregon, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Rivergrove, Oregon's basic financial statements as listed in the table of contents.

Summary of Opinions

Opinion Unit	*Type of Opinion*
Governmental Activities	Qualified
General Fund	Qualified
Highway Fund	Qualified
Heritage Park Maintenance Fund	Qualified
System Development Fund	Qualified

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities and each major fund of City of Rivergrove, Oregon, as of June 30, 2025, and the respective changes in cash basis financial position thereof for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis for Qualified Opinions

We were unable to obtain sufficient appropriate audit evidence regarding the accuracy of the beginning fund balances and net position as of July 1, 2024.

The City of Rivergrove, Oregon maintains multiple governmental funds, which are subject to various statutory, contractual, and internal policies governing the use and classification of resources. Due to the inadequacy of accounting records and lack of supporting documentation prior to July 1, 2023, the opening balances could not be verified, and the cumulative effects carry forward to the completeness and accuracy of the beginning balances as of July 1, 2024. In addition, we were unable to determine whether historical amounts were recorded in the appropriate funds. Uncertainties related to these beginning fund balances and net position affect the classification and presentation of fund balances and net position.

Accordingly, we were unable to determine whether any adjustments might have been necessary to beginning fund balances (e.g., uncertainty related to individual fund totals), fund balance classifications (e.g., restricted, assigned, committed, or unassigned), and net position classification (e.g., restricted and unrestricted) as of June 30, 2025.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a special-purpose framework and is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The City of Rivergrove, Oregon's management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards (GAAS) will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit 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 City of Rivergrove, Oregon's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Rivergrove, Oregon's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rivergrove, Oregon's basic financial statements. The supplementary information, as listed in the table of contents, such as the schedules of revenues expenditures, and changes in fund balances – budget to actual (cash basis) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the supplementary information, as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the elected and appointed officials, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Reports on Other Legal and Regulatory Requirements

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated June 3, 2026, on our consideration of City of Rivergrove, Oregon's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.

For Merina+Co
Tualatin, Oregon
June 3, 2026

BASIC FINANCIAL STATEMENTS

CITY OF RIVERGROVE
Clackamas County, Oregon

Statement of Net Position (Cash Basis)
June 30, 2025

		Governmental Activities
ASSETS:		
Current assets:		
Cash and cash equivalents	$	40,187
Restricted cash and investments		253,236
Total current assets		293,423
TOTAL ASSETS	$	293,423
NET POSITION:		
Restricted for:		
Highway and streets	$	242,774
Parks		1,039
System development		9,423
Unrestricted		40,187
TOTAL NET POSITION	$	293,423

The accompanying notes are an integral part of these statements.

CITY OF RIVERGROVE
Clackamas County, Oregon

Statement of Activities (Cash Basis)
For the Year Ended June 30, 2025

	Expenses	Program Revenues: Charges for Services	Program Revenues: Capital Grants and Contributions	Net Revenue (Expenses) and Change in Net Position
GOVERNMENTAL ACTIVITIES				
General government	$ 103,812	$ 49,332	$ -	$ (54,480)
Highways and streets	123,500	-	50,000	(73,500)
Parks	7,755	-	1,699	(6,056)
Total governmental activities	$ 235,067	$ 49,332	$ 51,699	(134,036)
GENERAL REVENUES:				
Intergovernmental				54,923
Alcohol and cigarette tax allocation				10,348
Franchise fees				39,018
Investment income				443
Other revenues				76
Total general revenues				104,808
Change in net position				(29,228)
NET POSITION, BEGINNING				322,651
NET POSITION, ENDING				$ 293,423

The accompanying notes are an integral part of these statements.

CITY OF RIVERGROVE
Clackamas County, Oregon

Balance Sheet (Cash Basis)
June 30, 2025

	General Fund		Highway Fund		Heritage Park Maintenance Fund		System Development Fund		Total	
ASSETS:										
Current:										
Cash and cash equivalents	$	40,187	$	242,774	$	1,039	$	9,423	$	293,423
TOTAL ASSETS	$	40,187	$	242,774	$	1,039	$	9,423	$	293,423
FUND BALANCE:										
Restricted for:										
Restricted	$	-	$	242,774	$	1,039	$	9,423	$	253,236
Unassigned		40,187		-		-		-		40,187
TOTAL FUND BALANCE	$	40,187	$	242,774	$	1,039	$	9,423	$	293,423

The accompanying notes are an integral part of these statements.

CITY OF RIVERGROVE
Clackamas County, Oregon

Statement of Revenues, Expenditures, and Change in Fund Balances (Cash Basis)
For the Year Ended June 30, 2025

	General Fund	Highway Fund	Heritage Park Maintenance Fund	System Development Fund	Total
RECEIPTS:					
Intergovernmental	$ -	$ 54,923	$ -	$ -	$ 54,923
Grants and contributions	-	50,000	1,699	-	51,699
Licenses, fees, and permits	9,293	-	-	-	9,293
Planning service fees	40,039	-	-	-	40,039
State liquor taxes	9,195	-	-	-	9,195
State cigarette and taxes	1,153	-	-	-	1,153
Franchise fees	39,018	-	-	-	39,018
Investment earnings	5	438	-	-	443
Miscellaneous	76	-	-	-	76
Total revenues	98,779	105,361	1,699	-	205,839
DISBURSEMENTS:					
Materials and services	103,812	123,500	7,755	-	235,067
Total expenditures	103,812	123,500	7,755	-	235,067
Excess of revenues over (under) expenditures	(5,033)	(18,139)	(6,056)	-	(29,228)
OTHER FINANCING SOURCES (USES):					
Transfers in	7,200	-	-	-	7,200
Transfers out	-	(7,200)	-	-	(7,200)
Total other financing sources (uses)	7,200	(7,200)	-	-	-
Net change in fund balance	2,167	(25,339)	(6,056)	-	(29,228)
FUND BALANCE, BEGINNING	38,020	268,113	7,095	9,423	322,651
FUND BALANCE, ENDING	$ 40,187	$ 242,774	$ 1,039	$ 9,423	$ 293,423

The accompanying notes are an integral part of these statements.

1. REPORTING ENTITY

The City of Rivergrove, Oregon is bordered by the Tualatin River to the south and neighbors the cities of Lake Oswego and Tualatin. The City was founded in 1971 after a vote of 57 to 48 in favor of incorporation. The government of the City is vested in an elected mayor and four elected council members. The council and mayor serve four-year terms.

Measurement Focus, Basis of Accounting, and Basis of Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are presented on the cash basis of accounting, which is a special purpose framework other than generally accepted accounting principles. Accordingly, revenues are recognized when received and expenses are recognized when paid. The government-wide statements present the financial activities of the government as a whole.

The government reports program revenues in the Statement of Activities on a cash basis. Program revenues are those revenues that are received and recorded at the time cash is collected and are directly associated with a particular function or program.

Governmental fund financial statements are reported using the current financial resources measurement focus. Only cash and fund balance is included on the balance sheet. The operating statements present sources and uses of available expendable financial resources during a given period.

In the fund financial statements, governmental activities are presented using the cash basis of accounting. This basis recognizes assets and fund balance/net position, revenues, and expenditures when they result from cash transactions.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenues for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in the financial statements. If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements would use the modified accrual basis of accounting and the government-wide financial statements would be presented on the accrual basis of accounting.

For purposes of presentation, all the funds are presented as major funds of the City.

Governmental Funds:

- *General Fund*

  The General Fund is the primary operating fund of the City. It accounts for all financial resources of the City except those required to be accounted for in another fund. Primary resources are state revenue sharing, charges for services, and other taxes.

- *Highway Fund*

  The Highway Fund is used to account for receipt and expenditure of financial resources which are generally restricted to use on City streets. Primary resources are highway taxes, grants and contributions.

- *Heritage Park Maintenance Fund*

  The Heritage Park Maintenance Fund accounts for the receipt and expenditure of financial resources related to the City's park system. Primary resources in the current year are donations.

- *System Development Fund*

  The Systems Development Fund accounts for funds accumulated for improvements to City infrastructure. Primary resources are system development charges.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Deposits and Investments

Cash and cash equivalents are considered to be cash on hand and demand deposits.

Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Operating interfund transactions are reported as transfers.

Fund Balance

The City reports fund balance in the governmental funds within categories according to the relative constraints placed on these balances. These fund balance categories are:

- Nonspendable – Includes items that are not in a spendable form because they are either legally or contractually required to be maintained intact.
- Restricted – Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.
- Committed – Includes items committed by resolution of the City Council. Commitments may be modified or rescinded by similar resolution.
- Assigned – Includes items assigned by specific uses, authorized by the City Manager.
- Unassigned – This is the residual classification used for those balances not assigned to another category in the General Fund. Deficit fund balance in other governmental funds are also presented as unassigned.

Net Position Flow Assumptions

The City may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which resources are considered to have been applied. It is the City's policy to deplete restricted net position first before unrestricted net position is depleted.

Fund Balance Flow Assumptions

The City may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which resources are considered to have been applied. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. When components of restricted fund balance can be used for the same purpose, committed fund balance is depleted second, followed by assigned fund balance. Unassigned fund balance is applied last.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with the cash basis of accounting. A preliminary budget is prepared and presented to a Budget Committee, which is comprised of the City Council and an equal number of non-elected citizens. After public meetings, the Budget Committee forwards its approved budget to the City's Mayor and City Council. The Mayor and City Council conducts a public hearing, adopts the final budget, and makes appropriations prior to the beginning of the fiscal year.

Appropriations are made by fund at the major category level (personnel services, materials and services, capital outlay, operating contingencies, and transfers to other funds) for each fund. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. Supplemental budgets less than 10% of the fund's original budget may be adopted by the City Council at a regular City Council meeting. A supplemental budget greater than or equal to 10% of the fund's original budget requires hearings before the public, publication, and approval by the City Council.

Original and supplemental budgets may be modified by the use of appropriation transfers between levels of control. Such transfers require approval by the City Council. Appropriations lapse on June 30 of each fiscal year. Expenditures of the various funds were within authorized appropriations with two exceptions. On General Fund, Materials and Services was in excess of budget authority due to contracted services being budgeted as personnel services but required to be presented as materials and services due to the nature of the expense. On the Heritage Park Maintenance Fund, Materials and Services exceeded authorized budget due to a late invoice from June 2024.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are considered to be cash on hand and demand deposits.

State statutes and the City's own investment policy govern the City's cash management policies. Statutes authorize the City to invest in banker's acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool (LGIP).

Cash and cash equivalents at June 30, 2025 (recorded at fair value) consisted of:

	June 30, 2025
Deposits with Financial Institutions:	
Demand Deposits:	
Checking	$ 182,905
Savings	110,518
Total cash and cash equivalents	$ 293,423

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a financial institution, the City will not be able to recover the value of its deposits and collateral securities in the possession of the financial institution. The City does not have a deposit policy for custodial credit risk. The City's demand deposit accounts, and time and saving deposit accounts with financial institutions are each insured by either the Federal Depository Insurance Corporation (FDIC) or National Credit Union Administration (NCUA) up to a maximum of $250,000. To provide additional security, where balances exceed $250,000, Oregon statutes require depositories qualified to hold public funds to participate in the Oregon Public Funds Collateralization Program in which depositories become part of a multiple financial institution collateral pool and are required to pledge as collateral securities with a value at least equal to their maximum liability towards protecting public funds in the event one or more of the participating depositories fail. Securities are held in the safekeeping of a custodian chosen by the state.

The Oregon Public Funds Collateralization Program determines each depository's maximum liability from the depository's capitalization category set forth by the FDIC. The program is intended to eliminate custodial credit risk and make loss very unlikely but does not actually guarantee absolute total safety. As of June 30, 2025, the City held $293,423 (book balance) in deposits with a bank balance of $299,534; of this amount, $250,000 was insured by the FDIC, respectively. The remaining amount of $49,534 is collateralized under the Oregon Public Funds Collateralization Program (PFCP).

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Oregon Revised Statutes restrict the City to specific types of investments, including general obligations of the United States Government and its agencies, obligations of the State of Oregon that have a rating of A or better, obligations of the States of California, Idaho, and Washington that have a rating of AA or better, A-1 or better rated commercial paper, banker's acceptances, AA rated corporate bonds, A rated corporate bonds of certain holding companies in the State of Oregon, time deposits, repurchase agreements, and Oregon's Local Government Investment Pool (LGIP).

The City's investment policy is consistent with Oregon's restrictions on investments. At June 30, 2025, the City had no investments.

5. TRANSFERS

Transfers between funds provide support for various City programs in accordance with budgetary authorizations and are utilized to cover administrative services, provide for additional funding for reserve purposes, contribute towards the cost of capital projects, and to provide for other operational resources. Interfund transfers for the year ended June 30, 2025, consisted of the following:

	Transfers in: General Fund
Transfers out:	
Governmental activities	
Highway Fund	$ 7,200
	$ 7,200

6. FUND BALANCES

Fund balances by classification for the year ended June 30, 2025 were as follows:

	General Fund	Highway Fund	Heritage Park Maintenance Fund	Systems Development Fund	Total Governmental Funds
Fund balances					
Restricted					
Streets and roads	$ -	$ 242,774	$ -	$ -	$ 242,774
Parks	-	-	1,039	-	1,039
System development	-	-	-	9,423	9,423
Unassigned	40,187	-	-	-	40,187
Total fund balances	$ 40,187	$ 242,774	$ 1,039	$ 9,423	$ 293,423

7. COMMITMENTS

Project Commitments

The City enters into contracts for various projects from time to time that are required to achieve its mission and service objectives. There are no significant outstanding contracts as of June 30, 2025.

8. RISK MANAGEMENT

The City is subject to the risk of loss related to torts, theft or damage to and destruction of assets, errors and omissions and natural disasters. The City purchases commercial insurance for all significant risks of loss. There was no significant reduction in the City’s major categories of insurance coverage and settlements have not exceeded insurance coverage for each of the past three years. Note the City’s insurance company has the right to assess additional amounts.

SUPPLEMENTARY INFORMATION

<u>SUPPLEMENTARY INFORMATION</u>

This part of the City's Financial Report presents supplementary information to demonstrate and report on its compliance with finance-related legal requirements.

Budgetary Reporting – This section provides schedules that report on budget to actual financial performance.

General Fund
Highway Fund
Heritage Park Maintenance Fund
System Development Fund

BUDGETARY REPORTING

General Fund
Schedule of Revenues, Expenditures, And
Change in Fund Balance - Budget and Actual (Cash Basis)
For the Year Ended June 30, 2025

	Budget Original	Budget Final	Actual	Variance with Final Budget	
REVENUES:					
Licenses, fees, and permits	$ 19,838	$ 19,838	$ 9,293	$ 10,545	
State liquor taxes	10,697	10,697	9,195	1,502	
State cigarette and taxes	1,172	1,172	1,153	19	
Planning service fees	38,000	38,000	40,039	(2,039)	
Franchise fees	36,014	36,014	39,018	(3,004)	
Investment revenue	40	40	5	35	
Miscellaneous	-	-	76	(76)	
Total revenues	105,761	105,761	98,779	6,982	
EXPENDITURES:					
Personnel services	52,500	52,500	-	(52,500)	*
Materials and services	63,997	63,997	103,812	39,815	*
Total expenditures	116,497	116,497	103,812	(12,685)	
Excess of revenues over (under) expenditures	(10,736)	(10,736)	(5,033)	5,703	
OTHER FINANCING SOURCES (USES):					
Transfers in	7,200	7,200	7,200	-	
Total other financing sources (uses)	7,200	7,200	7,200	-	
Net change in fund balance	(3,536)	(3,536)	2,167	5,703	
FUND BALANCE, BEGINNING	34,186	34,186	38,020	(3,834)	
FUND BALANCE, ENDING	$ 30,650	$ 30,650	$ 40,187	$ 9,537	

*City budgeted for City Manager under Personnel and Contract City Manager is recognized under Materials and services.

Highway Fund
Schedule of Revenues, Expenditures, And
Change in Fund Balance - Budget and Actual (Cash Basis)
For the Year Ended June 30, 2025

	Budget Original	Budget Final	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental	$ 52,543	$ 52,543	$ 54,923	$ (2,380)
Grants and contributions	50,000	50,000	50,000	-
Investment revenue	-	-	438	(438)
Total revenues	102,543	102,543	105,361	(2,818)
EXPENDITURES:				
Materials and services	150,772	150,772	123,500	(27,272)
Total expenditures	150,772	150,772	123,500	(27,272)
Excess of revenues over (under) expenditures	(48,229)	(48,229)	(18,139)	30,090
OTHER FINANCING SOURCES (USES):				
Transfers out	(7,200)	(7,200)	(7,200)	-
Total other financing sources (uses)	(7,200)	(7,200)	(7,200)	-
Net change in fund balance	(55,429)	(55,429)	(25,339)	30,090
FUND BALANCE, BEGINNING	268,421	268,421	268,113	308
FUND BALANCE, ENDING	$ 212,992	$ 212,992	$ 242,774	$ 29,782

CITY OF RIVERGROVE
Clackamas County, Oregon

Heritage Park Maintenance Fund
Schedule of Revenues, Expenditures, And
Change in Fund Balance - Budget and Actual (Cash Basis)
For the Year Ended June 30, 2025

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Grants and contributions	$ -	$ -	$ 1,699	$ (1,699)
Total revenues	-	-	1,699	(1,699)
EXPENDITURES:				
Materials and services	6,660	6,660	7,755	1,095
Total expenditures	6,660	6,660	7,755	1,095
Excess of revenues over (under) expenditures	(6,660)	(6,660)	(6,056)	604
Net change in fund balance	(6,660)	(6,660)	(6,056)	604
FUND BALANCE, BEGINNING	6,948	6,948	7,095	(147)
FUND BALANCE, ENDING	$ 288	$ 288	$ 1,039	$ 751

System Development Fund
Schedule of Revenues, Expenditures, And
Change in Fund Balance - Budget and Actual (Cash Basis)
For the Year Ended June 30, 2025

	Budget			Variance with
	Original	Final	Actual	Final Budget
EXPENDITURES:				
Materials and services	$ 2,000	$ 2,000	$ -	$ (2,000)
Total expenditures	2,000	2,000	-	(2,000)
Net change in fund balance	(2,000)	(2,000)	-	2,000
FUND BALANCE, BEGINNING	9,423	9,423	9,423	-
FUND BALANCE, ENDING	$ 7,423	$ 7,423	$ 9,423	$ 2,000

REPORT OF INDEPENDENT AUDITORS
REQUIRED BY OREGON STATE REGULATIONS

Oregon Administrative Rules 162-10-050 through 162-10-320 incorporated in the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy; enumerate the financial statements, schedules, and comments and disclosures required in audit reports. The required statements and schedules are set forth in the preceding sections of this report. Required comments and disclosures related to the audit of such statements and schedules are set forth in the following pages.

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MERINA+CO

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *OREGON STATE REGULATION*

The Honorable Mayor and City Council
City of Rivergrove, Oregon

We have audited the basic financial statements of City of Rivergrove, Oregon, as of and for the year ended June 30, 2025 and have issued our report thereon dated June 3, 2026. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State.

<u>Compliance</u>

As part of obtaining reasonable assurance about whether City of Rivergrove, Oregon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of Oregon Revised Statutes (ORS) as specified in the Oregon Administrative Rules 162-010-0000 through 162-010-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, as set forth below, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- Deposits of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions, and repayments. The City of Rivergrove does not have any long-term debt.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets.
- Authorized investment of surplus funds. (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, and 279C).
- Accountability for collecting or receiving money by elected officials.

In connection with our testing, nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-010-0000 through 162-010-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations* except as follows.

1. The City of Rivergrove, Oregon did not provide adequate public notice for the budget fiscal year 2024-2025; prior to the audit, for the subsequent budget this was corrected and properly noticed for fiscal year 2025-2026.

2. Expenditures in the following funds exceeded appropriations for the year ended June 30, 2025:

Fund	Budget Category	Amount
General Fund	Materials and services	$ 39,815
Heritage Park Maintenance Fund	Materials and services	1,095

3. The City Manager's Fidelity Bond lapsed after its initial 12-month term (August 2023-July 2024) and was not renewed in August 2024. Prior to audit, the Fidelity Bond was renewed effective July 1, 2025 with current coverage through June 30, 2026.

4. During our testing of Highway Fund expenditures for compliance with Oregon minimum standards and Article IX, Section 3a of the Oregon Constitution, we noted the City budgeted for and transferred an arbitrary budgeted amount for general overhead to the Highway Fund. The allocation was not supported by a documented cost allocation methodology, time studies, or other evidence demonstrating benefit to highway related activities. As a result, we could not determine whether the charge complied with constitutional and statutory restrictions governing the use of highway revenues.

Internal Control Over OAR 162-10-0230

In planning and performing our audit of the financial statements, we considered City of Rivergrove, Oregon's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Rivergrove, Oregon's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Rivergrove, Oregon's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as communicated in a separate letter to management dated June 3, 2026, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies as communicated in a separate letter to management dated June 3, 2026 as items 2025-01 and 2025-02 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency as communicated in a separate letter to management dated June 3, 2026 as item 2025-03 to be a significant deficiency.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

For Merina+Co
Tualatin, Oregon
June 3, 2026

End of Report

CITY OF RIVERGROVE, OREGON
RESOLUTION NO. 06-17-2026_B

A RESOLUTION ADOPTING A SUPPLEMENTAL BUDGET FOR FISCAL YEAR 2025-2026 AND MAKING APPROPRIATION CHANGES WITHIN THE GENERAL FUND

WHEREAS, the City Council adopted the City of Rivergrove Fiscal Year 2025-2026 Budget; and

WHEREAS, ORS 294.471 authorizes the governing body of a municipal corporation to adopt a supplemental budget and make appropriation changes when necessary; and

WHEREAS, the City has determined that expenditures for contracted City Manager services were budgeted in the Personal Services appropriation category but should be appropriated within the Materials and Services category; and

WHEREAS, this budget adjustment does not increase total General Fund appropriations and does not affect the budgeted Unappropriated Ending Fund Balance;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF RIVERGROVE, OREGON, AS FOLLOWS:

Section 1. Adoption of Supplemental Budget

The following supplemental budget changes for Fiscal Year 2025-2026 are hereby adopted for the General Fund:

Appropriation Category	Original Budget	Change	Revised Budget
Personal Services	$52,500	($52,500)	$0
Materials & Services	$94,055	$52,500	$146,555

Section 2. Effect on Budget

The supplemental budget adjustment adopted by this resolution does not change total General Fund appropriations and does not change the Fiscal Year 2025-2026 budgeted Unappropriated Ending Fund Balance.

Section 3. Effective Date

This resolution shall take effect immediately upon its adoption.

ADOPTED by the City Council of the City of Rivergrove, Oregon, this 17th day of June, 2026.

CITY OF RIVERGROVE

ATTEST

Mayor

City Recorder

CITY OF RIVERGROVE, OREGON
RESOLUTION NO. 06-17-2026_C

A RESOLUTION ESTABLISHING FINANCIAL MANAGEMENT, INTERNAL CONTROL, PROCUREMENT, RECORD RETENTION, AND FUND ACCOUNTING POLICIES IN RESPONSE TO THE CITY'S FISCAL YEAR 2024-2025 AUDIT FINDINGS

WHEREAS, the City Council received the City's Fiscal Year 2024-2025 audit and related communications from Merina+Co, including the AU-C 265 Letter to Governance, AU-C 260 Letter to Governance, and Exit Memorandum dated June 3, 2026; and

WHEREAS, the audit identified opportunities to strengthen internal controls, fund accounting, procurement procedures, documentation practices, and compliance with Oregon Local Budget Law; and

WHEREAS, the City of Rivergrove is a small municipality with limited staffing resources and one part-time employee position; and

WHEREAS, the City Council finds that internal controls should be reasonable, practical, sustainable, and appropriate for the City's size while continuing to provide adequate protection of public funds; and

WHEREAS, beginning in Fiscal Year 2023-2024, the City implemented QuickBooks accounting software, established general ledger account classifications, and implemented fund-based accounting procedures to improve financial reporting and accountability; and

WHEREAS, the City has made reasonable efforts to reconstruct historical accounting records using available bank statements and documentation but has been unable to independently verify all historical transactions and fund classifications due to incomplete records from prior periods; and

WHEREAS, the City was informed that certain permit fees, grants, reimbursements, and related expenditures were historically treated as pass-through transactions and therefore were not consistently recorded within the City's accounting records, contributing to the inability to verify certain historical fund balances; and

WHEREAS, the City Council has appointed David Schafer to independently perform monthly bank reconciliations and has reinstated the practice of assigning a rotating Council member to review monthly disbursements and financial activity;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF RIVERGROVE, OREGON, AS FOLLOWS:

SECTION 1. PURPOSE
The policies established by this Resolution are intended to address audit findings, strengthen internal controls, improve financial reporting, and establish governance practices appropriate for the size, staffing, and financial resources of the City.

SECTION 2. MONTHLY REVIEW OF DISBURSEMENTS
At each regular City Council meeting, the Mayor shall designate a Council member to review the prior month's disbursements, electronic fund transfers, bank activity, and supporting documentation included in the Council packet. The designated Council member shall report any questions or concerns during the meeting. All Council members shall have the opportunity to review and discuss disbursements before acceptance of the financial report.

SECTION 3. CHECK SIGNING AUTHORITY
A. Checks exceeding $5,000 shall require two authorized signatures.
B. Any check payable to the Mayor, a City Council member, the City Manager, or any business owned by or affiliated with such individual shall require two authorized signatures regardless of amount.
C. No individual may be the sole approver of a payment made directly to themselves or to an affiliated business.

SECTION 4. ELECTRONIC FUND TRANSFERS
Routine electronic payments for budgeted and recurring obligations may be processed administratively. A register of electronic fund transfers shall be included in monthly financial reports and shall be subject to the monthly review process.

SECTION 5. BANK RECONCILIATIONS
Monthly bank reconciliations shall be completed by an individual independent from day-to-day processing of City financial transactions. David Schafer has been appointed by the City Council to perform monthly reconciliations. Completed reconciliations shall be provided to the Mayor and City Council for review.

SECTION 6. PROCUREMENT AND PURCHASING
A. Purchases under $5,000 may be approved administratively if budgeted.
B. Purchases of $5,000 or greater that are included within an adopted budget appropriation may be approved by the Mayor for payment to vendors providing goods or services within the approved budget category.
C. Major contracts, new programs, expenditures not previously budgeted, or expenditures requiring additional appropriations shall require City Council approval.
D. All applicable Oregon Public Contracting Laws shall be followed.

SECTION 7. CONTRACTED SERVICES
Professional service providers shall be retained pursuant to written agreements approved by the City Council whenever practical. Executed agreements shall be maintained in City records.

SECTION 8. FUND ACCOUNTING
The City shall maintain accounting records by fund within its accounting system. Revenues and expenditures shall be assigned to appropriate general ledger accounts and funds whenever reasonably possible. Periodic fund reports shall be provided to the City Council.

SECTION 9. HISTORICAL FUND BALANCES
The City acknowledges the auditor's findings regarding historical fund balances and classifications. The City has made reasonable efforts to reconstruct historical records using available information but cannot independently verify all historical transactions due to incomplete records and prior accounting practices.
The City finds that implementation of QuickBooks, fund accounting procedures, and general ledger classifications beginning in Fiscal Year 2023-2024 represents the most practical and cost-effective corrective action available to the City.
Nothing in this Resolution shall require reconstruction of historical accounting records beyond the City's available resources.

SECTION 10. HIGHWAY FUND COST ALLOCATIONS
The City shall develop and maintain a documented methodology supporting administrative and overhead costs allocated to the Highway Fund.
The methodology may consider actual administrative time, accounting services, audit costs, insurance, management oversight, and other costs reasonably benefiting Highway Fund activities.
The City intends to document support for the current fiscal year transfer amount of $10,800 and establish a reasonable methodology for future years that can be consistently applied and reviewed by the City Council.

SECTION 11. BUDGET LAW COMPLIANCE
The City shall maintain copies of budget notices, publications, affidavits, mailings, resolutions, and related budget documents as permanent records. The City shall continue utilizing QuickBooks budgeting and reporting functions when practical.

SECTION 12. RECORD RETENTION
Financial records, contracts, invoices, bank statements, grant records, budget documents, and related documentation shall be retained in accordance with Oregon records retention requirements.

SECTION 13. ANNUAL POLICY REVIEW
The City Council shall review the policies established by this Resolution at least annually during the budget process or at such other time as determined by the Council.

SECTION 14. EFFECTIVE DATE
This Resolution shall take effect on July 1, 2026.

ADOPTED by the City Council of the City of Rivergrove, Oregon, this ___ day of __________, 2026.

CITY OF RIVERGROVE

____

Chris Barhyte, Mayor

ATTEST:

____

City Recorder