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.

- 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-explanation: moved $ from general fund personnel services to general fund material services per guidance from auditor.

Heritage Park Maintenance Fund Materials and services 1,095-explanation: Voted to put chips on the path which was not in the approved budget, but came out of the Heritage Park fund and a request from citizens.

- 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.

Accordingly, we do not express an opinion on the effectiveness of City of Rivergrove, Oregon's internal control

We identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

2025-01 was because of a lack of effective internal controls over financial reporting, cash reporting, and cash disbursement'

Corrective Action: We passed RESOLUTION NO. 06-17-2026_C

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

2025-02, which was for a lack of historical support to determine accurate beginning fund balances and restrictions, for all the funds.

Corrective Action: Unable to correct for past failures, our new processes will address this.

All issues addressed and fixed.

2025-02, which was for a lack of historical support to determine accurate beginning fund balances and restrictions, for all the funds.

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.