

PORT OF ARLINGTON

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS**

For the Year Ended June 30, 2019



PORT OF ARLINGTON
Arlington, Oregon
BOARD OF COMMISSIONERS AND OFFICIALS
June 30, 2019

<u>NAME</u>	<u>ADDRESS</u>	<u>POSITION</u>
Ron Wilson	PO Box 249 Arlington, OR 97812	President
Dewey Kennedy	PO Box 594 Condon, OR 97823	Vice-President
Kevin Hunking	PO Box 252 Arlington, OR 97812	Secretary/Treasurer
Aaron Fitzsimmons	PO Box 444 Condon, OR 97823	Commissioner
Rodney McGuire	66325 Upper Rock Creek Rd Arlington, OR 97812	Commissioner
Peter Mitchell	Arlington	Port Manager/ Economic Development Officer
Kelly Margheim	Arlington	Administrative Assistant
	P.O. Box 279 Arlington, OR 97812	

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Arlington, Oregon
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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Port of Arlington
P.O. Box 279
Arlington, Oregon 97812

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Port of Arlington (the Port), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the governmental activities and unmodified audit opinion on each major fund and the aggregate remaining fund information.

Basis for Qualified Opinion on Governmental Activities

Management did not obtain an actuarial valuation for the implicit rate subsidy for retiree medical insurance coverage. This actuarial valuation was required as a part of the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, no net OPEB liability/asset has been recorded for this implicit subsidy. The amount by which this departure would affect the assets, liabilities, net position, and expenses of the governmental activities has not been determined.

Qualified Opinion on the Governmental Activities

In our opinion, except for the effects, if any, of the matter described in the Basis for Qualified Opinion paragraph on governmental activities, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Port as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion on the Major Funds

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, Economic Development Fund, and the aggregate remaining fund information of the Port as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Port's 2018 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information and we expressed a qualified opinion on the governmental activities and an unmodified audit opinion on each major fund and the aggregate remaining fund information in our report dated December 12, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budget and actual schedules for the General Fund and Economic Development Fund, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been

subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Port's basic financial statements. The accompanying supplementary schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Reports on Other Legal and Regulatory Requirements

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 18, 2019, on our consideration of the Port's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.

Other Reporting Required by Oregon Minimum Standards

In accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated October 18, 2019, on our consideration of the Port'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 Solutions, CPAs PC
John Day, Oregon
October 18, 2019

PORT OF ARLINGTON
Arlington, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2019

As management of the Port of Arlington (the Port), we offer readers of the Port's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- In the government-wide statements, the assets of the Port exceeded its liabilities as of June 30, 2019 by \$4,329,414. Of this amount, \$2,477,539 represents the Port's investment in capital assets net of related debt, \$415,342 is restricted for economic development projects and the balance of \$1,436,533 is unreserved and available to meet the Port's ongoing obligations to citizens and creditors.
- The Port's total net position increased by \$348,494 primarily due to increased lease and miscellaneous revenues and capital asset additions in excess of depreciation expense.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Port's basic financial statements. The Port's basic financial statements consist of two components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements.

Government-wide Financial Statements

The Port's funds are presented on the modified accrual basis of accounting, which is a short-term view that tells us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. This information is then adjusted to the full accrual basis to present a longer-term view of the Port as a whole. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The modified accrual basis financial statements provide detail information about the Port's current financial resources. This information is important as it demonstrates compliance with various state laws and shows the stewardship of the Port's annual property tax and other revenue.

The Port's full accrual basis financial statements present information about the Port's total economic resources, including long-lived assets and long-term obligations. This information is important as it recognizes the long-term ramifications of decisions made by the Port on an ongoing basis.

The government-wide financial statements can be found on pages 13 through 15 of this report.

Fund Financial Statements. The fund financial statements provide more detailed information about the Port's funds, focusing on its most significant or "major" funds – not the Port as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Port, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Port are governmental funds.

PORT OF ARLINGTON
Arlington, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2019

Governmental funds. The governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances are reconciled to the government-wide Statements of Net Position and Statement of Activities.

The Port maintains 3 individual governmental budgetary funds. Information is presented separately in the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund and the Economic Development Fund, which are considered to be major funds. Individual fund data for the nonmajor governmental fund is provided as supplemental information.

The basic governmental fund financial statements can be found on pages 16 through 22 of this report.

Notes to Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 23 through 31 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information related to Schedules of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual for the General Fund and Economic Development Fund. Required supplementary information appears on pages 34 through 36 of this report.

Other supplementary information is found on pages 38 through 40, including the Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual by Department.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Port, assets exceeded liabilities by \$4,329,414 at June 30, 2019, an increase of \$348,494 from the previous year.

Capital assets, which consist of the Port's land, buildings, building improvements, construction in progress, and equipment, represent about 58 percent of total assets. The remaining assets consist mainly of cash and accounts receivable.

The Port's liabilities consist primarily of accounts payable, payroll tax liabilities, and a promissory note payable to Gilliam County.

PORT OF ARLINGTON
Arlington, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2019

Condensed Statement of Net Position

	Governmental Activities	
	June 30, 2019	June 30, 2018
Current and other assets	\$ 1,869,480	\$ 1,849,086
Capital assets	2,616,972	2,517,939
Total assets	<u>4,486,452</u>	<u>4,367,025</u>
Current liabilities	17,605	246,672
Long-term debt	139,433	139,433
Total liabilities	<u>157,038</u>	<u>386,105</u>
Net position:		
Net invested in capital assets	2,477,539	2,369,255
Restricted	415,342	462,588
Unrestricted	1,436,533	1,149,077
Total net position	<u>\$ 4,329,414</u>	<u>\$ 3,980,920</u>

Governmental Activities. During the current fiscal year, the Port's net position increased by \$348,494 representing an increase of 8.8 percent from the prior year. The key elements of the change in the Port's net position for the year ended June 30, 2019 are as follows:

- ◆ Lease revenues increased \$99,862 from the previous year due to crushing operations at the Willow Creek pit.
- ◆ Capital assets increased by \$99,033, net of depreciation, from the previous year.
- ◆ Capital grants from Gilliam County were \$268,960.
- ◆ Miscellaneous revenues were \$38,126.

PORT OF ARLINGTON
Arlington, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2019

Condensed Statement of Activities

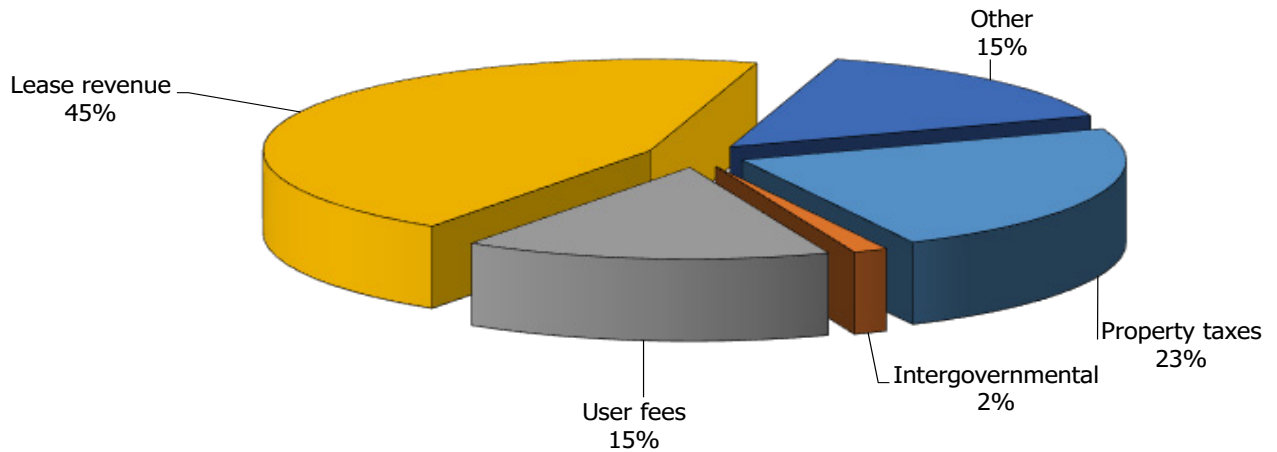
	Governmental Activities	
	June 30, 2019	June 30, 2018
Revenues		
Program revenues		
Charges for services	\$ 424,401	\$ 320,660
Operating grants and contributions	7,000	7,050
Capital grants and contributions	272,960	250,000
General revenues		
Property taxes	107,093	104,751
Intergovernmental revenues	33,377	56,358
Interest income	38,090	36,241
Miscellaneous	38,126	390
Total revenues	<u>921,047</u>	<u>775,450</u>
Expenses		
Management and administration	307,665	279,405
Economic development	<u>264,888</u>	<u>217,250</u>
Total expenses	<u>572,553</u>	<u>496,655</u>
Increase in net position	348,494	278,795
Beginning net position	<u>3,980,920</u>	<u>3,702,125</u>
Ending net position	<u>\$ 4,329,414</u>	<u>\$ 3,980,920</u>

FINANCIAL ANALYSIS OF THE PORT'S FUNDS

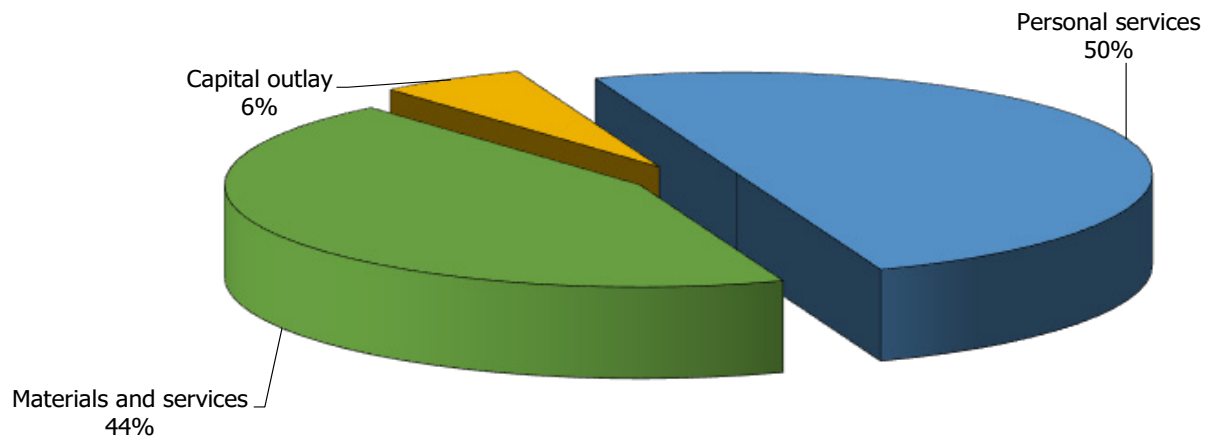
At June 30, 2019 the Port's General Fund reported ending fund balance of \$1,385,623, an increase of \$277,472 from the prior year. \$2,529 of the fund balance is nonspendable. The Economic Development Fund had an ending fund balance of \$412,813. \$2,779 of the ending fund balance is nonspendable. The nonmajor Reserve Fund had an ending fund balance of \$53,073 which is assigned to capital projects

PORT OF ARLINGTON
Arlington, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2019

Revenue by Function - General Fund



Expenditures by Function - General Fund



PORT OF ARLINGTON
Arlington, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2019

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, the General Fund total expenditures were under budget by \$999,287. Revenues received from property taxes, grants, user fees, lease revenue, and miscellaneous receipts were \$192,585 more than anticipated.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The Port's investment in capital assets includes land, construction in progress, buildings and improvements and equipment. As of June 30, 2019, the Port had invested \$2,616,972 in capital assets, net of accumulated depreciation.

During the year, the Port's investment in capital assets increased by \$108,284 due to improvements in excess of depreciation expense. New assets acquired include the new flex building and construction in progress related to a boat ramp restroom.

Additional information on the Port's capital assets can be found in note 4 on page 29 of this report.

Long-Term Debt. The Port made principal payments during the year on long-term debt of \$9,251. Interest paid on debt for the year was \$2,893.

Additional information on the Port's long-term debt can be found in notes 5 and 6 on page 30 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The budget for the 2019-20 fiscal year has total appropriations of \$2,358,435 as compared to the prior year of \$2,066,656. The key element of this difference is an increase in capital outlay as a result of anticipated projects.

REQUESTS FOR INFORMATION

This financial report is designed to present the user (citizens, taxpayers, investors, and creditors) with a general overview of the Port's finances and to demonstrate the Port's accountability. Questions concerning any of the information provided in this report or requests for additional information can be obtained by calling the Port's business office at (541)454-2868 or by sending a written request to: Port of Arlington, Business Office; PO Box 279; Arlington, OR 97812.

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BASIC FINANCIAL STATEMENTS

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PORT OF ARLINGTON
Arlington, Oregon
STATEMENT OF NET POSITION
June 30, 2019
(With Comparative Totals for 2018)

	Governmental Activities	Total June 30, 2019	June 30, 2018
ASSETS			
Cash and investments	\$ 1,746,244	\$ 1,746,244	\$ 1,830,896
Receivables			
Property taxes	4,358	4,358	9,743
Accounts receivable	113,570	113,570	3,696
Prepaid expenses	5,308	5,308	4,751
Capital assets, not subject to depreciation			
Land	160,166	160,166	160,166
Construction in progress	2,252	2,252	711,914
Capital assets, net of accumulated depreciation			
Buildings and improvements	2,420,416	2,420,416	1,604,836
Equipment	34,138	34,138	41,023
Total capital assets	<u>2,616,972</u>	<u>2,616,972</u>	<u>2,517,939</u>
Total assets	<u>4,486,452</u>	<u>4,486,452</u>	<u>4,367,025</u>
LIABILITIES			
Accounts payable	9,219	9,219	224,388
Accrued liabilities	4,394	4,394	7,134
Accrued compensated absences	3,992	3,992	5,899
Notes payable			
Due within one year	9,437	9,437	9,251
Due in more than one year	129,996	129,996	139,433
Total liabilities	<u>157,038</u>	<u>157,038</u>	<u>386,105</u>
NET POSITION			
Net investment in capital assets	2,477,539	2,477,539	2,369,255
Restricted	415,342	415,342	462,588
Unrestricted	1,436,533	1,436,533	1,149,077
Total net position	<u>\$ 4,329,414</u>	<u>\$ 4,329,414</u>	<u>\$ 3,980,920</u>

The Notes to Basic Financial Statements are an integral part of these statements.

PORT OF ARLINGTON
Arlington, Oregon
STATEMENT OF ACTIVITIES
For the Year Ended
June 30, 2019
(With Comparative Totals for 2018)

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Governmental activities				
Management and administration	\$ (307,665)	\$ 308,801	\$ 7,000	\$ 4,000
Economic development	(264,888)	115,600	-	268,960
Total governmental activities	<u>\$ (572,553)</u>	<u>\$ 424,401</u>	<u>\$ 7,000</u>	<u>\$ 272,960</u>
General revenues				
Property taxes, levied for general purposes				
Intergovernmental revenues				
Interest income				
Miscellaneous				
Total general revenues				
Changes in net position				
Net position - beginning				
Net position - ending				

The Notes to Basic Financial Statements are an integral part of these statements.

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Total	
	June 30, 2019	June 30, 2018
\$ 12,136	\$ 12,136	\$ (62,795)
119,672	119,672	143,850
131,808	131,808	81,055
107,093	107,093	104,751
33,377	33,377	56,358
38,090	38,090	36,241
38,126	38,126	390
216,686	216,686	197,740
348,494	348,494	278,795
3,980,920	3,980,920	3,702,125
<u>\$ 4,329,414</u>	<u>\$ 4,329,414</u>	<u>\$ 3,980,920</u>

PORT OF ARLINGTON
Arlington, Oregon
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019
(With Comparative Totals for 2018)

	General Fund	Economic Development Fund	Other Governmental Funds
ASSETS			
Cash and investments	\$ 1,280,413	\$ 412,758	\$ 53,073
Property taxes receivable	4,358	-	-
Accounts receivable	113,570	-	-
Prepaid expense	2,529	2,779	-
Total assets	<u>\$ 1,400,870</u>	<u>\$ 415,537</u>	<u>\$ 53,073</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 6,494	\$ 2,724	\$ -
Accrued liabilities	4,394	-	-
Total liabilities	<u>10,888</u>	<u>2,724</u>	<u>0</u>
Deferred inflows of resources			
Unavailable property tax revenue	4,359	-	-
Total deferred inflows of resources	<u>4,359</u>	<u>0</u>	<u>0</u>
Fund balances			
Nonspendable	2,529	2,779	-
Restricted	-	410,034	-
Assigned	-	-	53,073
Unassigned	1,383,094	-	-
Total fund balances	<u>1,385,623</u>	<u>412,813</u>	<u>53,073</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,400,870</u>	<u>\$ 415,537</u>	<u>\$ 53,073</u>

The Notes to Basic Financial Statements are an integral part of these statements.

Total	
June 30, 2019	June 30, 2018
\$ 1,746,244	\$ 1,830,895
4,358	9,743
113,570	3,697
5,308	4,750
<u>\$ 1,869,480</u>	<u>\$ 1,849,085</u>

\$ 9,218	\$ 224,388
4,394	7,134
<u>13,612</u>	<u>231,522</u>

<u>4,359</u>	<u>9,743</u>
4,359	9,743

5,308	4,750
410,034	457,838
53,073	41,463
<u>1,383,094</u>	<u>1,103,769</u>
<u>1,851,509</u>	<u>1,607,820</u>
<u>\$ 1,869,480</u>	<u>\$ 1,849,085</u>

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PORT OF ARLINGTON
Arlington, Oregon
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION**
June 30, 2019

Total Fund Balances			\$ 1,851,509
Capital assets are not financial resources and therefore are not reported in the governmental funds:			
Cost		\$ 4,187,012	
Accumulated depreciation		<u>(1,570,041)</u>	2,616,971
A portion of the Port's property taxes are collected after year-end but are not available soon enough to pay for the current year's operations, and therefore are not reported as revenue in the governmental funds.			
			4,359
Balances of accrued compensated absences are not current operating expenses and therefore are not included in the governmental funds.			
			(3,992)
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest in long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. These liabilities consist of:			
Loans payable			<u>(139,433)</u>
Total Net Position			<u><u>\$ 4,329,414</u></u>

The Notes to Basic Financial Statements are an integral part of these statements.

PORT OF ARLINGTON
Arlington, Oregon
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the year ended
June 30, 2019
(With Comparative Totals for 2018)

	General Fund	Economic Development Fund	Other Governmental Funds
Revenues			
Taxes	\$ 112,478	\$ -	\$ -
Intergovernmental revenues	7,000	302,337	-
User fees	74,003	-	-
Lease revenue	217,042	115,600	-
Interest	36,780	-	1,310
Miscellaneous income	35,632	24,250	-
Total revenues	<u>482,935</u>	<u>442,187</u>	<u>1,310</u>
Expenditures			
Current			
General government	184,085	-	-
Economic development	-	235,808	-
Capital outlay	11,078	239,628	-
Debt service	-	12,144	-
Total expenditures	<u>195,163</u>	<u>487,580</u>	<u>0</u>
Excess (deficiency) of revenues over (under) expenditures	287,772	(45,393)	1,310
Other financing sources (uses)			
Transfers	(10,300)	-	10,300
Net change in fund balances	277,472	(45,393)	11,610
Fund balance at beginning of year	<u>1,108,151</u>	<u>458,206</u>	<u>41,463</u>
Fund balance at end of year - by category			
Nonspendable	2,529	2,779	-
Restricted	-	410,034	-
Assigned	-	-	53,073
Unassigned	1,383,094	-	-
Fund balance at end of year - Total	<u>\$ 1,385,623</u>	<u>\$ 412,813</u>	<u>\$ 53,073</u>

The Notes to Basic Financial Statements are an integral part of these statements.

Totals	
June 30, 2019	June 30, 2018
\$ 112,478	\$ 98,927
309,337	313,408
74,003	65,114
332,642	232,780
38,090	36,241
59,882	23,156
926,432	769,626
184,085	163,418
235,808	214,185
250,706	728,740
12,144	12,144
682,743	1,118,487
243,689	(348,861)
-	-
243,689	(348,861)
1,607,820	1,956,681
5,308	4,750
410,034	457,838
53,073	41,463
1,383,094	1,103,769
\$ 1,851,509	\$ 1,607,820

PORT OF ARLINGTON
Arlington, Oregon
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**
For the Year Ended
June 30, 2019

Net Change in Fund Balance	\$	243,689
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed current year depreciation.

Expenditures for capital assets	\$ 224,855		
Less current year depreciation	<u>(125,822)</u>		99,033

Long-term debt repayment of principal is an expenditure in the governmental funds but reduces liabilities on the Statement of Net Position.

Loan principal payments			9,251
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Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Activities property taxes are recognized as revenue when levied.

(5,386)

Governmental funds report the effect of accrued compensated absences when paid. In the Statement of Activities, however, compensated absences are recognized when accrued. The change in compensated absences is recognized as an expense on the Statement of Activities.

1,907

Change in Net Position	\$	<u><u>348,494</u></u>
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The Notes to Basic Financial Statements are an integral part of these statements.

PORT OF ARLINGTON
Arlington, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

Note 1. Significant Accounting Policies

The Port of Arlington (the Port) is authorized by Chapter 777 of the Oregon Revised Statutes, as amended, to acquire land, construct buildings and to acquire personal property suitable for use by industry for manufacturing, processing or assembling or related activities by commercial enterprises. The financial affairs of the Port are handled from the Port's office under the direction of the Administrative Assistant who is appointed by the Board of Commissioners. The administration of the Port is vested in an elected five-member board of commissioners.

The Port's annual financial report includes the accounts of all Port operations.

The accounting policies of the Port conform to accounting principles generally accepted in the United States of America. The following is a summary of significant accounting policies utilized by the port in preparation of the accompanying financial statements.

A. The Reporting Entity

The Port is a political subdivision of the state of Oregon. It is governed by an elected five-member board of commissioners. These financial statements present all the funds of the Port.

In evaluating how to define the Port for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in generally accepted accounting principles. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibilities include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Port is able to exercise oversight responsibilities. The Port currently has no component units that should be included in the reporting entity.

B. Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Port. These statements include the governmental financial activities of the overall Port. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are financed primarily through property taxes, intergovernmental revenues, and charges for services.

The Statement of Activities presents a comparison between direct expenses and program revenues for each of its functions/programs. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to that function. Eliminations have been made to minimize the double counting of internal

PORT OF ARLINGTON
Arlington, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

activities in the Statement of Activities. All revenues are classified as general revenues, including property taxes and interest.

Net position is reported as restricted when constraints placed on net asset use are either externally restricted, imposed by creditors (such as through grantors, contributors or laws) or through constitutional provisions or enabling resolutions.

Fund Financial Statements

The fund financial statements provide information about the Port's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The Port reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund of the Port and accounts for all financial resources of the general government.

Economic Development Fund – The Economic Development Fund is the operating fund for the Port's economic development activity.

C. Measurement Focus and Basis of Accounting

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Port receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis of accounting revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Under terms of grant agreements, the Port funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Port's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (when they are measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The Port considers property taxes as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt, which is recognized when the obligations are expected to be liquidated with expendable available financial resources. Property taxes, interest and special assessments are susceptible to accrual. Other receipts and taxes become measurable and available when the cash is received by the government and are recognized as revenue at that time. Entitlements and shared revenues are recorded at the time of receipt or earlier if the "susceptible to accrual" criteria are met.

PORT OF ARLINGTON
Arlington, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

D. Capital Assets

Capital assets, which include property, equipment and vehicles, are reported in the governmental activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the Port as assets with a useful life in excess of one year.

Depreciation is provided in amounts sufficient to recover the cost of the depreciable assets over their estimated service lives on the straight-line basis. The service lives by type of asset are as follows:

Buildings and Improvements	15 - 100 years
Machinery and equipment	5 - 45 years

E. Budgets and Budgetary Accounting

A budget is prepared for the Port in accordance with the modified accrual basis of accounting and legal requirements set forth in the Oregon local budget law. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total personal services, materials and services, capital outlay, and contingency by fund are the levels of control. The detail budget document, however, is required to contain more specific, detailed information for the above mentioned expenditure categories. Appropriations lapse at June 30. The Port does not utilize encumbrance accounting for budgeted funds.

Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriations resolution. A supplemental budget may require hearings before the public, publications in newspapers, and approval by the board of commissioners. Original and supplemental budgets may be modified by the use of appropriations transfers between the levels of control. Such transfers require approval by the board of commissioners. The budget for the General Fund and Economic Development Fund includes capital outlay expenditures for capital purchases.

F. Property Taxes Receivable

Property taxes assessed in prior years, but not yet collected or accrued, are reported on the Balance Sheet, but are offset by deferred revenue accounts. The Port levies taxes on a fiscal year from July 1 to June 30. The current levy becomes a lien on July 1. Taxes are due November 15, and become delinquent May 15. Foreclosure is started three years after taxes become delinquent. The Port turns all tax collection duties over to Gilliam County, Oregon.

PORT OF ARLINGTON
Arlington, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

G. Deposits and Investments

The Port's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. All short-term cash surpluses are maintained in a demand account.

Oregon statutes and local ordinances authorize the Port to invest (short-term and long-term) in certificates of deposit (considered deposits for risk categorization purposes), certain bond obligations of civil subdivisions, general obligations of the United States, U.S. agency issues, general obligations of the states of Oregon, Washington, Idaho, and California, certain interest bearing bonds of a county, district, Port or school district, certain interest bearing bonds on any Port in the state of Oregon, life insurance and annuity contracts, pooled deferred compensation trusts, banker's acceptances, and certain corporate bonds.

H. Use of Estimates

The preparation of basic financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the basic financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

I. Prior Period Comparative Data

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Port's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

J. Accumulated Compensated Absences

A total of 10 to 20 days of vacation may be accumulated by each permanent full time employee per year. Accumulated vacation must be used during the two calendar years after the year in which it was earned. Vacation accrues in the following increments:

<u>Years of Service</u>	<u>Days of Vacation</u>
1-5 years	10 days
6-10 years	15 days
11+ years	20 days

Sick leave is provided and is accumulated at a rate of one day per month of service. Unused sick leave can be accumulated without limit but employees are not paid for the accumulated sick leave upon retirement or other termination. Accumulated sick leave as of June 30, 2019 is \$26,652.

PORT OF ARLINGTON
Arlington, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

The Port accrues a liability for compensated absences which meet the following criteria:

- (1) Obligation is attributable to services already rendered.
- (2) Obligation relates to rights that vest or accumulate.
- (3) Payment of compensation is probable.
- (4) The amount can be reasonably estimated

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. The Port has no items that qualifies for reporting in this category. Deferred outflows are included in the government-wide Statement of Net Position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Port has one item that qualifies for reporting in this category. Unavailable revenue from property taxes is reported in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that amount becomes available.

L. Fund Balances

In the fund financial statements, the fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable fund balance is the portion of net resources that cannot be spent because they are either (a) in a nonspendable form or (b) legally or contractually required to be maintained intact. Fund balance is reported as restricted when the constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Fund balance is reported as committed when the board of commissioners passes an ordinance or resolution that places specific constraints on how the resources may be used. The board action that imposed the limitation would need to occur no later than the close of the reporting period. The board of commissioners can modify or rescind the legislative action at any time through passage of an additional ordinance or resolution.

The net resources that are constrained by the Port's intent to use them are reported as assigned fund balance. Intent is expressed when the board of commissioners approves which resources should be set aside for specific purposes during the adoption of the annual budget. The board of commissioners and administrative assistant use that information to determine whether those resources should be classified as assigned in the

PORT OF ARLINGTON
Arlington, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

Port's financial statements. Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned within the General Fund.

The Port applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 2. Deposits

At June 30, 2019 the carrying amount of the Port's deposits was \$483,067 and the bank balance was \$498,492. The Port maintains depository relationships with area financial institutions that are Federal Depository Insurance Corporation (FDIC) insured institutions. The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. FDIC insurance of \$250,000 applies to the deposits in each depository. Where balances continually exceed \$250,000, ORS 295 requires the depositor to verify that deposit accounts are only maintained at financial institutions on the list of qualified depositories found on the state treasurer's Oregon Public Funds Collateralization Program (PFCP) web site. Oregon Revised Statute Chapter 295 requires all Oregon bank depositories holding public fund deposits to maintain securities totaling a value not less than 110 percent of the greater of:

- a. All public funds held by the bank depository; or
- b. The average of the balances of public funds held by the bank depository, as shown on the last four immediately preceding treasurer reports.

Custodial credit risk is the risk that in the event of a financial institution failure, the Port's deposits may not be returned to it. The Port does not have a policy for custodial credit risk. However, the balances in excess of the FDIC insurance are considered collateralized by PFCP. As of June 30, 2019 the Port had no balances exposed to custodial credit risk.

As of June 30, 2019 the Port had \$1,262,646 invested in the Oregon Local Government Investment Pool, which approximates fair value. The Port also had \$531 held by the Gilliam County Treasurer, which approximates fair value.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Port has no policy for managing interest rate or credit risk. Investments by the Port held in the Local Government Investment Pool are not rated.

The Oregon Short Term Fund is the LGIP for local governments and was established by the Oregon State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short Term Fund Board and approved by the Oregon Investment Council.

PORT OF ARLINGTON
Arlington, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

Note 3. Receivables

Receivables are comprised of the following as of June 30, 2019:

	Governmental Activities
Property taxes	\$ 4,358
Other	113,570
Total	<u>\$ 117,928</u>

Note 4. Changes in Capital Assets

The following is a summary of changes in capital assets:

Capital assets	Balance July 01, 2018	Additions	Deletions	Balance June 30, 2019
Land	\$ 160,166	\$ -	\$ -	\$ 160,166
Construction in progress	711,914	2,252	711,914	2,252
Total capital assets not subject to depreciation	<u>872,080</u>	<u>2,252</u>	<u>711,914</u>	<u>162,418</u>
 Buildings & Improvements	 3,017,296	 934,517	 -	 3,951,813
Equipment	41,407	-	-	41,407
Impaired Assets	31,375	-	-	31,375
Total capital assets subject to depreciation	<u>3,090,078</u>	<u>934,517</u>	<u>0</u>	<u>4,024,595</u>
 Accumulated depreciation				
Equipment	1,412,460	118,937	-	1,531,397
Park improvements	31,759	6,885	-	38,644
Total accumulated depreciation	<u>1,444,219</u>	<u>125,822</u>	<u>0</u>	<u>1,570,041</u>
Net depreciable capital assets	<u>1,645,859</u>	<u>808,695</u>	<u>0</u>	<u>2,454,554</u>
Net capital assets	<u>\$ 2,517,939</u>	<u>\$ 810,947</u>	<u>\$ 711,914</u>	<u>\$ 2,616,972</u>

Note 5. Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2019.

	July 01, 2018	Additions	Reduction	June 30, 2019	Due in One Year
Economic development loan	<u>\$ 148,684</u>	<u>\$ 0</u>	<u>\$ 9,251</u>	<u>\$ 139,433</u>	<u>\$ 9,437</u>

Interest expense of \$2,855 on long-term debt has been included in the direct expense of individual functions on the government-wide Statement of Activities. Authorization for general long-term debt is specific to a particular purpose; thus an objective connection can be made to a specific program. All interest on long-term debt is reported as a direct expense of the programs for which borrowing is related.

PORT OF ARLINGTON
Arlington, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

Note 6. Economic Development Note

On July 18, 2012, the Port entered into a promissory note with Gilliam County for economic development. The principal amount of \$200,000 requires monthly payments of \$1,012, including interest at 2.0 percent on the 18th of each month starting August 2012. A final balloon payment of \$58,477 is due on July 18, 2027. As of June 30, 2019 future payments are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2020	\$ 9,437	\$ 2,707	\$ 12,144
2021	9,628	2,516	12,144
2022	9,822	2,322	12,144
2023	10,020	2,124	12,144
2024	10,223	1,921	12,144
2025-2028	90,303	4,607	94,910
Total	<u>\$ 139,433</u>	<u>\$ 16,197</u>	<u>\$ 155,630</u>

Note 7. Retirement Plan

The Port has established a 408(k) plan for all regular full-time employees. Each employee has their own individual retirement account (SARSEP) and the Port will contribute up to 12 percent of the employee's gross wages. For the year ending June 30, 2019 the Port contributed \$16,678 towards the individual SARSEP of the employees. These contributions were recognized as expense and no employer liability existed at year end.

Note 8. Risk Management

The Port is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; natural disasters for which the Port carries commercial insurance. The Port does not engage in risk financing activities where the risk is retained (self-insurance). Settled claims have not exceeded commercial coverage in any of the past three fiscal years.

Note 9. Commitments and Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by these agencies. Any disallowed claims, including amounts already collected, may constitute a liability to the Port. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although Port management expects such amounts, if any, to be immaterial.

PORT OF ARLINGTON
Arlington, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

Note 8. Risk Management

The Port is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; natural disasters for which the Port carries commercial insurance. The Port does not engage in risk financing activities where the risk is retained (self-insurance). Settled claims have not exceeded commercial coverage in any of the past three fiscal years.

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REQUIRED SUPPLEMENTARY INFORMATION

PORT OF ARLINGTON
Arlington, Oregon
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended
June 30, 2019

	Actual	Budget		(Over) Under Budget
		Original	Final	
Revenues				
Property taxes	\$ 112,478	\$ 100,500	\$ 100,500	\$ (11,978)
Grants	7,000	7,450	7,450	450
User fees - Marina	25,007	14,200	14,200	(10,807)
User fees - RV park	48,996	40,000	40,000	(8,996)
Interest	36,780	10,000	10,000	(26,780)
Lease revenue	217,042	113,000	113,000	(104,042)
Miscellaneous	35,632	5,200	5,200	(30,432)
Total revenues	<u>482,935</u>	<u>290,350</u>	<u>290,350</u>	<u>(192,585)</u>
Expenditures				
Personal services	97,502	128,000	128,000	30,498
Materials and services	86,583	102,050	102,050	15,467
Capital outlay	11,078	933,700	933,700	922,622
Contingency	-	30,700	30,700	30,700
Total expenditures	<u>195,163</u>	<u>1,194,450</u>	<u>1,194,450</u>	<u>999,287</u>
Excess of revenues over (under) expenditures	287,772	(904,100)	(904,100)	(1,191,872)
Other sources (uses)				
Transfer to other funds	<u>(10,300)</u>	<u>(10,300)</u>	<u>(10,300)</u>	<u>-</u>
Net change in fund balance	277,472	(914,400)	(914,400)	(1,191,872)
Fund balance, July 1	<u>1,108,151</u>	<u>914,400</u>	<u>914,400</u>	<u>(193,751)</u>
Fund balance, June 30	<u>\$ 1,385,623</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (1,385,623)</u>

PORT OF ARLINGTON
Arlington, Oregon
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ECONOMIC DEVELOPMENT FUND
For the Year Ended
June 30, 2019

	Actual	Budget		(Over) Under Budget
		Original	Final	
Revenues				
Grants	\$ 302,337	\$ 382,000	\$ 382,000	\$ 79,663
Lease revenue	115,600	92,200	92,200	(23,400)
Miscellaneous income	24,250	1,000	1,000	(23,250)
Total revenues	<u>442,187</u>	<u>475,200</u>	<u>475,200</u>	<u>33,013</u>
Expenditures				
Personal services	122,229	146,800	146,800	24,571
Materials and services	113,579	260,600	260,600	147,021
Capital outlay	239,628	360,712	360,712	121,084
Debt service	12,144	12,144	12,144	-
Contingency	-	30,000	30,000	30,000
Total expenditures	<u>487,580</u>	<u>810,256</u>	<u>810,256</u>	<u>322,676</u>
Excess of revenues over (under) expenditures and net change in fund balance	(45,393)	(335,056)	(335,056)	(289,663)
Fund balance, July 1	<u>458,206</u>	<u>335,056</u>	<u>335,056</u>	<u>(123,150)</u>
Fund balance, June 30	<u><u>\$ 412,813</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ (412,813)</u></u>

PORT OF ARLINGTON
Arlington, Oregon
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY REPORTING
For the Year Ended
June 30, 2019

In accordance with Oregon Revised Statutes, the board of commissioners annually adopts a budget following required public notice and hearing. The budget may be amended during the year through statutorily prescribed procedures. The Port's budget is prepared on the modified accrual or GAAP basis of accounting. Appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon major classes of expenditures known as functions within each fund. The functions include: personal services, materials and services, capital outlay and contingencies.

During the year ended June 30, 2019, disbursements in the General Fund and the Economic Development Fund were within certified budget amounts in all functions .

SUPPLEMENTARY SCHEDULES

PORT OF ARLINGTON
Arlington, Oregon
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
RESERVE FUND
For the Year Ended
June 30, 2019

	Actual	Budget		(Over) Under
		Original	Final	Budget
Revenues				
Interest	\$ 1,310	\$ 350	\$ 350	\$ (960)
Total revenues	1,310	350	350	(960)
Expenditures				
Materials and services	-	51,650	51,650	51,650
Total expenditures	0	51,650	51,650	51,650
Excess of revenues over (under) expenditures	1,310	(51,300)	(51,300)	(52,610)
Other sources (uses)				
Transfer from the General Fund	10,300	10,300	10,300	-
Net change in fund balance	11,610	(41,000)	(41,000)	(52,610)
Fund balance, July 1	41,463	41,000	41,000	(463)
Fund balance, June 30	\$ 53,073	\$ 0	\$ 0	\$ (53,073)

PORT OF ARLINGTON
Arlington, Oregon
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY DEPARTMENT
GENERAL FUND
For the Year Ended
June 30, 2019

	Actual	Budget		(Over) Under Budget
		Original	Final	
Revenues				
Property taxes	\$ 112,478	\$ 100,500	\$ 100,500	\$ (11,978)
Grants	7,000	7,450	7,450	450
User fees - Marina	25,007	14,200	14,200	(10,807)
User fees - RV park	48,996	40,000	40,000	(8,996)
Interest	36,780	10,000	10,000	(26,780)
Lease revenue	217,042	113,000	113,000	(104,042)
Miscellaneous	35,632	5,200	5,200	(30,432)
Total revenues	482,935	290,350	290,350	(192,585)
Expenditures				
Administration				
Personal services	90,124	106,750	106,750	16,626
Materials and services	35,256	44,550	44,550	9,294
Contingency	-	30,700	30,700	30,700
	125,380	182,000	182,000	56,620
Island Park				
Personal services	6,421	13,750	13,750	7,329
Materials and services	7,051	10,600	10,600	3,549
Capital outlay	11,078	130,000	130,000	118,922
	24,550	154,350	154,350	129,800
Marina				
Personal services	400	4,000	4,000	3,600
Materials and services	22,892	24,500	24,500	1,608
	23,292	28,500	28,500	5,208
RV Park				
Personal services	557	3,500	3,500	2,943
Materials and services	20,297	21,100	21,100	803
Capital outlay	-	5,000	5,000	5,000
	20,854	29,600	29,600	8,746
WC Quarry				
Materials and services	1,087	1,300	1,300	213
Capital outlay	-	798,700	798,700	798,700
	1,087	800,000	800,000	798,913
Total expenditures	195,163	1,194,450	1,194,450	999,287

(Continued on next page)

PORT OF ARLINGTON
Arlington, Oregon
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY DEPARTMENT
GENERAL FUND
For the Year Ended
June 30, 2019

	Actual	Budget Original	Final	(Over) Under Budget
Excess of revenues over (under) expenditures	\$ 287,772	\$ (904,100)	\$ (904,100)	\$ (1,191,872)
Other sources (uses)				
Transfer to Economic Development Fund	(10,300)	(10,300)	(10,300)	-
Net change in fund balance	277,472	(914,400)	(914,400)	(1,191,872)
Fund balance, July 1	1,108,151	914,400	914,400	(193,751)
Fund balance, June 30	\$ 1,385,623	\$ 0	\$ 0	\$ (1,385,623)

INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Commissioners
Port of Arlington
Arlington, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Port of Arlington (the Port) as of and for the year ended June 30, 2019, and have issued our report thereon dated October 18, 2019.

COMPLIANCE

As part of obtaining reasonable assurance about whether the Port's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. 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 considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).

In connection with our testing nothing came to our attention that caused us to believe the Port was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

OAR 162-10-0230 INTERNAL CONTROL

In planning and performing our audit of the financial statements, we considered the Port's internal control over financial reporting to determine the 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 the Port's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control. Deficiencies in internal control, in any, were communicated separately.

Our Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated October 18, 2019, is presented under separate cover.

RESTRICTIONS ON USE

This report is intended solely for the information and use of the board of commissioners, Oregon Secretary of State Audits Division, and management and is not intended to be and should not be used by anyone other than these parties.



For Solutions, CPAs PC
John Day, Oregon
October 18, 2019



Oregon Secretary of State – Audits Division

Summary of Revenues and Expenditures

Please refer to instructions on next page.

A. Municipal corporation information

Municipality name: <u>Port of Arlington</u>		Reporting period: From <u>07/01/2018</u>
Address line 1: <u>PO Box 279</u>		To <u>06/30/2019</u>
Address line 2: _____		
City, state, ZIP: <u>Arlington</u> <u>OR</u> <u>97812</u>		Report type: <u>Audit</u>
Check if new address: <input type="checkbox"/>		Opinion issued: <u>Qualified</u>
If this is the final report, please enter the last date of operations: _____		Basis of accounting: <u>GAAP</u>

B. Financial statement audit – Reported deficiencies

<p>1. Regarding internal controls over financial reporting, how many significant deficiencies and material weaknesses were reported? <u>2</u></p> <p>2. Of those control deficiencies reported, how many resulted in the following: Accounting errors/Misstatements: <u>0</u> Noncompliance: <u>0</u></p>	<p>3. How were deficiencies communicated? Check all that apply.</p> <p><input checked="" type="checkbox"/> Report issued in accordance with Government Auditing Standards</p> <p><input type="checkbox"/> Communication in accordance with Statements on Auditing Standards AU-C 265 "Communicating Internal Control Related Matters Identified in an Audit"</p> <p><input type="checkbox"/> Other (specify communication): _____</p> <p><input type="checkbox"/> No deficiencies</p> <p>Per OAR 162-010-0230, a copy must be filed with Secretary of State.</p>
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C. Summary of revenues and expenditures

Revenues and/or receipts		Expenditures and/or disbursements	
a. Revenues from government-wide statement of activities:	\$ 921,047	a. Expenditures from government-wide statement of activities:	\$ 572,553
b. Fiduciary fund additions:		b. Fiduciary fund deductions:	
c. Gross revenues subtotal (a + b):	\$ 921,047	c. Gross expenditures subtotal (a + b):	\$ 572,553
d. Revenues of component units:		d. Component unit expenditures reported with primary government:	
e. Taxes, assessments and other collections to be distributed to other governments:		e. Turnovers to other municipal corporations:	
f. Exempt revenue subtotal (d + e):	\$ 0	f. Exempt expenditures subtotal (d + e):	\$ 0
g. Net revenues (c – f):	\$ 921,047	g. Net expenditures (c – f):	\$ 572,553

D. Filing fee: \$ 200

E. Submitted by

Auditor name: <u>Mitch T. Saul, CPA</u>	Municipal license number: <u>1525</u>
Firm name: <u>Solutions, CPAs PC</u>	Date: <u>10/18/2019</u>
Municipal contact name, title: <u>Kelly Margheim, Administrative Assistant</u>	Municipal phone: <u>(541) 454-2868</u>

Within 30 days of delivering the audit report to the municipal corporation, one copy of this summary must be filed with the Secretary of State, Audits Division, and one copy must be delivered to the municipal corporation. If deficiencies are communicated in a separate letter or in a report issued in accordance with *Government Auditing Standards*, a copy of that communication must also be filed. (OAR 162-010-0230)

REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

**REPORT ON INTERNAL CONTROLOVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Port of Arlington
Arlington, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Port of Arlington (the Port), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated October 18, 2019. Our report contained a qualified opinion for the governmental activities and an unmodified opinion on each major fund and the aggregate remaining fund information. The modification was the result of not having performed a valuation of the implicit rate subsidy associated with retiree health insurance.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 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 deficiency described in the accompanying schedule of findings and responses as item 2019-002 to be a material weakness.

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 described in the accompanying schedule of findings and responses as item 2019-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Port'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 as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. See the report required by the State for instance of noncompliance with Oregon statutes, if applicable.

Port's Response to Findings

The Port's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Port's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Port's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



For Solutions, CPAs PC
John Day, Oregon
October 18, 2019

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SCHEDULE OF FINDINGS AND RESPONSES

PORT OF ARLINGTON
Arlington, Oregon
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2019

SIGNIFICANT DEFICIENCIES IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

2019-001

Segregation of Duties

Criteria: Custody, recording, and authorization functions should be segregated among different personnel over each significant transaction cycle when possible to provide adequate internal control for the prevention, detection, and correction of error or fraud.

Condition: Our evaluation of the Port's internal control structure disclosed that the Port does not have adequate segregation of duties. Accounting duties for main transaction cycles are concentrated on one individual which result in incompatible functions to provide proper segregation of duties.

Cause: The number of Port employees has been limited due to the size and financial resources of the Port.

Effect: Without separation of critical duties, accounting errors or fraud may not be prevented, detected, or corrected in a timely manner.

Recommendations: We acknowledge that a complete separation of duties (such as treasury functions from accounting functions) is not possible due to staffing limitations. We recommend, however, that management review accounting positions and functions to identify specific duties that could be separated among the available personnel to achieve the strongest control possible under the circumstances.

In order to achieve adequate segregation of duties the internal control structure will need to be distributed among all available employees and commissioners. Those whose duties have traditionally been limited to oversight duties will need to be involved at some level with the treasury or accounting function.

An example of this type of segregation would be for the monthly bank statement to be received unopened and reconciled by someone not involved in approving invoices, preparing checks, entering transactions, signing checks, and mailing the payments.

With some thought and creativity we are confident that you will be able to identify specific areas where segregation should occur and the steps necessary to achieve this segregation. We are available to assist you in this process through analysis and training where needed.

Responsible Official's Response: Management understands the importance of segregation of duties and the need to address these matters in an informed, cost-beneficial way. As a result of our cost-benefit analysis we have determined the value of incurring the additional expense of hiring a staff person in order to provide additional segregation of duties does not justify the cost. We will however review our processes and attempt to identify ways to involve other employees and commissioners in order to improve our segregation.

PORT OF ARLINGTON
Arlington, Oregon
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2019

MATERIAL WEAKNESS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

2019-002

Financial Statement Preparation

Criteria: The financial statements are the responsibility of the Port's management, including the prevention or detection of material misstatements in the presentation and disclosure of the financial statements. Non-attest services performed by the auditor in the preparation of the financial statements cannot be considered compensating controls.

Condition: The Port engages their auditors to provide non-attest services for the preparation of its financial statements. Although common for municipalities the size of the Port, this condition represents a control deficiency over the financial reporting process that is required to be reported under professional standards as long as management makes all financial reporting decisions, and accepts responsibility for the content of the financial statements. However, those activities performed by the auditor are not a substitute for, or extension of, internal controls over the preparation of the financial statements in accordance with generally accepted accounting principles (GAAP).

Cause: The Port's accounting personnel do not possess the advanced training that would provide the expertise necessary to prepare the financial statements and related notes in accordance with GAAP, and therefore may not be able to prevent or detect a material misstatement in the preparation and disclosure of the financial statements. Misstatements in financial statements may include not only misstated financial amounts, but also the omission of disclosures required by GAAP.

Effect: Material misstatement in the preparation and disclosure of the financial statements in accordance with GAAP may not be prevented or detected. Misstatements in financial statements include not only misstated dollar amounts, but also the omission of disclosures required under GAAP.

Recommendations: We understand that it may not be practical to acquire or allocate the internal resources to perform all of the controls necessary over financial reporting. However, management (including the Board of Commissioners) should mitigate this deficiency by keeping informed about the Port's internal controls, performing supervisory reviews, studying the financial statements and related footnote disclosures, and understanding its responsibility for the financial statements as a whole.

This deficiency is related specifically to the preparation of GAAP basis financial statements and does not adversely affect the Port's ability to initiate, authorize, record, process, or report financial data reliably in accordance with their budget basis of accounting.

Responsible Official's Response: We understand the importance of risk management and the need to address risks in an informed, cost-beneficial way. As a result of our cost-benefit analysis we have determined the value of incurring the additional expense of hiring a staff person or another firm to prepare our financial statements does not justify the cost.