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**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***

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, 2017, and the related notes to the financial statements, which collectively comprise the port's basic financial statements, and have issued our report thereon dated December XX, 2017.

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 2017-002 to be a material weakness.

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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 2017-001 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.

***Oster Professional Group, CPA's, LLP
OPGCPA, PC***

By *Robert H. Armstrong*

John Day, Oregon
December XX, 2017

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 December XX, 2017, 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.

***Oster Professional Group, CPA's, LLP
OPGCPA, PC***

By Robert H. Armstrong

John Day, Oregon
December XX, 2017



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>07/01/2016</u>
Address line 1: _____	To <u>06/30/2017</u>
Address line 2: <u>PO Box 279</u>	Report type: <u>Audit</u>
City, state, ZIP: <u>Arlington</u> <u>OR</u> <u>97812</u>	Opinion issued: <u>Unmodified</u>
Check if new address: <input type="checkbox"/>	Basis of accounting: <u>GAAP</u>
If this is the final report, please enter the last date of operations: _____	

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

C. Summary of revenues and expenditures

Revenues and/or receipts		Expenditures and/or disbursements	
a. Revenues from government-wide statement of activities:	\$ 1,430,758	a. Expenditures from government-wide statement of activities:	\$ 1,139,431
b. Fiduciary fund additions:		b. Fiduciary fund deductions:	
c. Gross revenues subtotal (a + b):	\$ 1,430,758	c. Gross expenditures subtotal (a + b):	\$ 1,139,431
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):	\$ 1,430,758	g. Net expenditures (c – f):	\$ 1,139,431

D. Filing fee: \$ 250

E. Submitted by	
Auditor name: <u>Robert M. Armstrong, CPA</u>	Municipal license number: <u>7052</u>
Firm name: <u>OPGCPA, PC</u>	Date: <u>12/02/2017</u>
Municipal contact name, title: <u>Denise Ball, Administrative Assistant</u>	Municipal phone: <u>(541) 454-2868</u>

Submit: Click the "Submit" button on the right to submit this form via email. Save a copy for your records.