

MINUTES  
PORT OF ASTORIA  
SPECIAL MEETING  
JULY 22, 2008  
COMMISSION CHAMBERS

Chairman Larry Pfund called the Special Meeting to order and took roll call.

Commissioners present: Larry Pfund, Kathy Sanders, Floyd Holcom, Dan Hess and Bill Hunsinger.

Staff present: Jack Crider, Ron Larsen, Rita Fahrney and Colleen Browne.

Others present: Jim Lanzarota, Pam Hunsinger, John Lansing, Lori Durheim. John Carlson

DRAFT AUDIT PRESENTATION – FISCAL YEAR 2006-2007. Port of Astoria Auditor, John Carlson, acknowledged the audit report is being presented late. He will be presenting draft information on the ending audit figures, with comparison of 2006 and 2007 finances; however, the final report will not show 2006 comparisons.

Carlson highlighted information from the Balance Sheet for the year ending June 30, 2007. There is \$500,000 more cash at 2007 than at 2006. The Port finished three major projects – Lektro, Bornstein Seafoods and West Basin, Phase 2. Construction began prior to the year's audit. Carlson explained the Port of Astoria's audit is complex and complicated, when working with past procedures. Depreciation schedules and construction projects have long lives when worked into audit calculations. Total assets are \$43,341,641.

The second page of the draft contains figures for Liabilities. The Port of Astoria borrowed a substantial amount of funding with the vast majority of it through the O.E.C.D.D. Interest payable is increased. He is continuing to sort out the issues affecting the numbers, which include construction project draw down funds on loans. The Port is required to follow uniform capitalization rules. There is \$395,100 accrued interest payable, resulting in a change to net income of \$197,164.

Carlson reviewed the Statement of Revenues, Expenses and Changes in Net Assets for the Year Ended June 30, 2007. Lease and rental operations have had a huge increase of \$600,000 from the 2006 year end. Most of the other income comparisons are close to the prior year with the exception of re-billed expenses. Depreciation is up due to capitalization of on-going projects. Interest expense,

as previously reported, is up considerably from last year. Operating Income last year was approximately a \$2.3 million loss. This year Operating Income is at \$1.051 million loss.

Mr. Carlson stated the largest factor in his delay in completing the audit was the resignation of the Executive Director who also served as the Chief Financial Official and the Bookkeeper who left shortly after. He believes Gearin was taking on too much and consequently inattention to detail followed. It has been very hard for him to get information on past transactions. He was hired to do the audit only and did not realize he would also need to complete accounting functions usually done by staff. After completing financial statements he will work with Colleen Browne, the Port's Finance Manager, for adjustments needed. He hopes to leave the Port with a more accurate financial picture than when he began. Questions followed.

Commissioner Sanders asked whether he did any checks for mishandling, embezzeling, etc. Carlson responded audit opinions do not vouch for internal controls, but that numbers on financial statements are correct. Due to the Director and Bookkeeper leaving mid-stream in the year, the connection was lost. The previous bookkeeper's accounting of books was very minimal. In addition, the prior auditor is very ill and unable to communicate with Carlson. He had to rely solely on information obtained from the computer system. He went on to say while the previous auditor's numbers were "good enough" Carlson would have liked to have more work done and he is striving to meet the Port's needs in having good financial records.

CPA, Jim Lanzarotta, was introduced. Jack Crider explained his firm worked with his staff while he was at Port of Tillamook and helped with accounting issues. Lanzarotta has spoken with Carlson regarding financial issues.

John Carlson explained he felt impelled to also speak on events that have impacted his ability to complete the audit. Delays were attributed to a health issue he had and commitments to his mother who had health problems also. In December the office he rents was damaged by the storm, causing delay. He took his annual vacation also in December. During tax season he had obligations to other clients. This combined with Port previous bookkeeping issues all contributed to the delay. Jack Crider and Colleen Browne will be reviewing his final audit before presentation as well as Jim Lanzarotta.

Mr. Lanzarotta explained how he will assist with management in financial statements and schedules to be prepared. Carlson added the Secretary of State is aware of the delays and would rather have the financial statements accurate than timely. He recommends the Port use the full accrual basis for their accounting functions.

Chairman Pfund acknowledged Mr. Carlson's explanation that the bookkeeping was in disarray and he was forced to reconcile financials based on information from a bookkeeper with only basic accounting skills. Pfund stated the Port will now have a healthier starting point for audit year 2007/2008.

Discussion followed on Government Accounting system and understanding that accruals and statements differ for auditing purposes.

Commissioner Hunsinger inquired why Mr. Carlson did not come to the commission earlier to discuss ongoing problems with the audit. Carlson responded he worked with the Commissioners assigned to oversee the Port finances, Kathy Sanders and Larry Pfund as well as staff. Although he could have resigned, leaving the Port to start over, he continued and takes full responsibility for the delay. Jack Crider added Mr. Carlson did keep staff advised of his progress. Some further discussion followed. Commissioner Holcom urged Mr. Carlson to finish the audit, giving the public the information they need.

Further discussion followed on internal accounting skills and future accounting procedures. Colleen Browne stated she is converting the accounting software to Quickbooks, which she is most comfortable working with and which will suit the accounting needs of the Port. Jim Lanzarotta concurred with Colleen's statement, explaining there are no "good" software programs for ports and Quickbooks is easy to use from an audit standpoint.

OTHER BUSINESS. None

PUBLIC COMMENT. Ted Thomas stated on the Balance Sheet numbers have to be justified. He reminded the Commission that Ed Luoma, the previous auditor, never admitted he "performed an audit", just a review of figures. His faith in the clearing up of issues is not satisfied. There have been 325 hours spent on this audit and the Port does still not have an audit completed. He wants answers. Chairman Pfund responded the audit is not finished and should be within a week. Jim Lanzarotta will be reviewing it prior to the final presentation. Then if there are questions, they can be addressed. Thomas spoke of loose, misplaced statements that when recovered could be "criminal/forensic". Colleen Browne explained a "\$52,000" entry was a "bookkeeping" error and has been reconciled.

Commissioner Hunsinger thanked Colleen Browne for a job well done.

There being no further business, the Special Meeting was adjourned.